SECP

Securities and Exchange Commission of Pakistan

2021
ANNUAL REPORT

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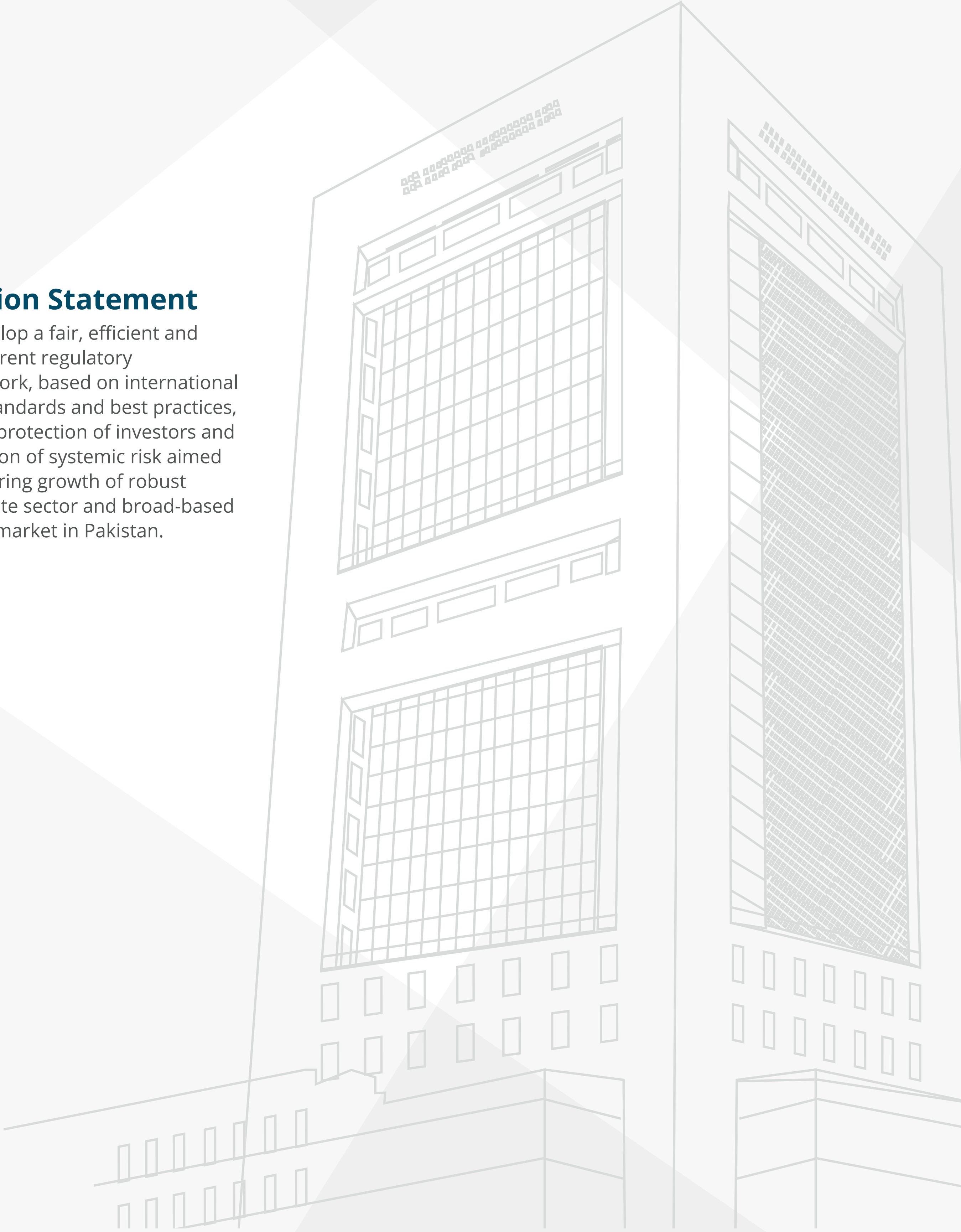
Mission Statement

To develop a fair, efficient and transparent regulatory framework, based on international legal standards and best practices, for the protection of investors and mitigation of systemic risk aimed at fostering growth of robust corporate sector and broad-based capital market in Pakistan.



Chairman's Message

I am pleased to present this report since it highlights the tangible outcomes of our regulatory approach and actions on the sectors that we oversee.

The Securities and Exchange Commission of Pakistan has a wide mandate, and oversees the securities and futures market, insurance and NBFC sectors, corporate registry and secured transactions registry. As such, the impact of our regulatory approach on the wider economy is significant. Accordingly, during the year, we continued with our charted roadmap focusing on the overarching objectives of ensuring effective enforcement, improving access to finance and capital formation, simplifying regulatory processes, reducing costs and facilitating market development.

We started the year, cognizant of the expectations of the public and other stakeholders, regarding the need for enhanced focus on accountability and transparency. I am satisfied in sharing that the journey that started with the initiation of a centralized Adjudication Division during fiscal year 2020, reached its culmination, with the establishment of a Centralized Supervision Division on March 31, 2021. This has been backed by strengthening of the litigation team, and streamlining and revamping of all the SOPs and processes related to the initiation and conclusion of regulatory enforcement actions. This restructuring will further strengthen SECP's ability to operate as a focused, transparent and accountable financial sector regulator. Furthermore, it is important to highlight that amendments in the SECP Act have been laid before the National Assembly Standing Committee on Finance, Revenue and Economic Affairs, wherein special focus has been placed on strengthening the internal governance of SECP, establishing independent tribunals to hear appeals against SECP orders, and streamlining the role of the Audit Oversight Board.

The number and diverse nature of show-cause notices issued, orders passed, penalties imposed and collected and improved compliance are a testament to the improved enforcement function of the Commission, even at this early stage. In addition, this transformation has enabled SECP to ensure consistency in its enforcement actions.

In AML/CFT domain, SECP, as the designated AML/CFT Supervisory Authority of its regulated entities, was able to issue six subsidiary regulatory measures in line with the Anti Money Laundering Act, besides amending the Companies Act, 2017 in line with the FATF recommendations. SECP's regime for regulated financial institutions have been rated as largely compliant in FATF action plan (08 out of 08 action items) and in the Post Observation Period Report of the Mutual Evaluation Report (54 out of 54 recommended actions). To ensure full disclosure in the ownership and control structure of corporate entities, the requirement of declaration of ultimate beneficial ownership was made mandatory.

Moreover, to protect public interest, SECP has reinstated the cost audit requirement through the promulgation of Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020. Through these regulations, cost audit requirement has been made applicable on a number of key sectors that directly affect the common citizen, including sugar, wheat, cement, and cooking oil.

Finally, the implementation of new trading system at the PSX is expected to not only improve trading operations of the stock market, but also lead to a much stronger surveillance system of the front-end regulator by December 2021. Its launch will also be complemented by new broker categorization regime, including operationalization of the professional clearing member.

Amidst this emphasis on developing a strong enforcement model and culture, SECP never lost sight of its other broader objectives; re-engineering the organization to bring about a complete shift in its approach towards the regulation-making process and delivering its mandate. It steadfastly and resolutely kept moving towards creating an enabling regulatory environment for the business community, attracting investment and spurring economic growth by simplifying the regulatory regime, through purposeful stakeholder engagement, following international best practices, and improving user experience.

At the outset of this year, SECP was geared to address the challenges posed by Covid-19 and the fact that it required a series of meaningful and comprehensive responses to mitigate the impact. For the corporate sector, time relaxations were granted in filing statutory returns and allowing companies to hold General Meetings (including AGMs) through virtual mode, which has now been made a permanent feature, encouraging wider participation of shareholders through electronic means. In case of securities market, number of supportive measures were introduced for smooth functioning of capital market operations in face of COVID-19 pandemic. For AMC sector, SECP allowed NBFCs to defer repayment of principal and reschedule loans based on borrowers' request, without affecting the credit status of such borrowers. Moreover, maximum period of borrowing by mutual funds for redemption purposes was extended from 90 days to 365 days. While these relaxations were aimed at providing immediate relief for pandemic-related challenges, we maintained our thrust for simplifying existing regulations. In this regard, it is noteworthy to mention a few of the regulatory reform measures.

The simplification of REIT regulations provided stimulus for activation of this segment, triggering a number of REIT management license requests and REITs schemes applications. The revamped REIT regulations have shifted the regulatory structure from approval-based to disclosure-based issuance, reducing entry barriers, and making REITs competitive with the unregulated real estate projects. This revised framework also allows for infrastructure finance through public private partnership-based infrastructure projects under the REIT umbrella. Similarly, allowing commercial banks to act as consultant to the issue for debt securities, through revisions in market making framework, resulted in 11 commercial banks to sign up with PSX. To check mis-selling, improve value to policy holders and improve market conduct, Corporate Insurance Agents Regulations, 2020 have been introduced, which provide comprehensive regulatory framework for business undertaken through corporate insurance agents (including banks) and technology-based distribution channels. To encourage new individual investors in the capital market and mutual funds, necessary revisions have been made in the regulatory framework to enable digital onboarding of investors. Private companies were permitted to raise capital by receiving immovable property, intangible assets and services, instead of only cash and were allowed to offer employee stock option plans to employees. Also, companies were allowed greater ease and simplification for issuing and substituting multiple classes of capital with minimal regulatory interference. These measures have increased the ability of nascent startups to attract funding and human resource. Finally, the approval of proposed amendments in Companies Act, 2017 will also help smaller companies by reducing their regulatory burden.

In line with its focus on promoting operational ease, SECP also initiated a dual-objective transformation journey for its corporate registration function. On one hand, focus was placed on digitalizing repetitive tasks, such as certificate of incorporations, certified true copy issuances, acknowledgment of filing, data sharing with banks, etc. On the other hand, to provide value-added assistance and positive user experience to the corporate sector, business center was launched with the ability to provide support for name reservation and company incorporation on pan-Pakistan basis through a dedicated team. While this initiative is still a work in progress, with room for improvement, it has already contributed towards new incorporations that have grown by 51% during the financial year (highest in 5 years). Moreover, 99% of new companies were incorporated using online process thereby, greatly reducing average turnaround time for incorporation.

Another key area in which the Commission made progress was related to improving the financial inclusion space. The amendments proposed to further improve the functioning of the Secured Transaction Registry (STR), the amendments in the Financial Institutions (Secured Transactions) Act, 2016, were approved by the legislature. The amendments, will enhance the scope of STR to future assets and products, allow absolute priority to secured creditors over all other claims and super priority to acquisition security interest. Likewise, the SECP's proposed amendments to the Corporate Restructuring Companies (CRC) Act, have also been approved. These will go a long way to resolving insolvency. Further, the first ever CRC, Pakistan Corporate Restructuring Company Limited has been established during the current year. Furthermore, book building process for debt securities was introduced to promote transparency in price discovery and issuance of publicly listed debt securities. Direct listing of local companies on the stock exchange and formation of Special Purpose Acquisition Companies (SPACs) were also allowed.

I am of the firm view that the dream of broad-based financial inclusion cannot be achieved without the presence of a wholesome and well-coordinated

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digital education / awareness, distribution and servicing infrastructure. This requires our regulated sectors, market intermediaries and most of all, SECP itself, to closely work together to build a futuristic digital ecosystem that takes advantage of our youth bulge, large urban centers, high tele-density and our digital national database. During the year under review, we have largely covered the regulatory gaps that existed and have set in motion a series of initiatives that will lead to much greater financial inclusion in all our Iregulated sectors over the next 2-3 years. A case in point is Emlaak Financials, the first digital distribution platform for mutual funds, launched, during the year.

In this regard, SECP regulated sectors also benefited from the support extended by the State Bank of Pakistan, as it allowed and facilitated account opening in stock market and mutual funds by non-resident Pakistanis (NRPs), through Roshan Digital Account (RDA) initiative. Learning from the above success, work is already underway to replicate the Roshan digital model to facilitate digital account opening and on-boarding in the capital markets for domestic bank account holders. The regulatory framework in this regard has been approved by SECP.

While talking about alternate approaches and financial inclusion, supporting a culture of innovation and meaningful candid dialogue with stakeholders is imperative. I firmly believe that a regulatory regime that is too harsh or too inflexible, provides ideal breeding ground for undesirable schemes. It is with this mindset that SECP launched its regulatory sandbox, and I am extremely pleased with the outcome of this initiative, introduced last year to encourage innovative ideas and solutions in the field of capital market, NBFCs and insurance. Under the first cohort of sandbox, new ideas in the shape of Peer-to-Peer (P2P) Lending Platform and technology-based crowd-funding platform were approved for live testing. Positive response from the market led to the second round of the sandbox; out of 37 applications, 7 have been approved in the areas of parametric insurance, real-estate asset tokenization, digital distribution of mutual funds and AI based digital identity/AML/KYC applications.

Another critical piece of SECP's overall strategy is market development, where focus remained on fostering competition, increasing the supply of products & services, and expanding the investor base by bridging regulatory gaps. The Commission undertook major reform measures to stimulate growth, that resulted in historical outcomes in the areas of new IPOs, REITs, ETFs, and specialized NBFIs. During the year under review, SECP also granted approval for 90 days Deliverable Futures Contract (DFC). As a result, market participants will have the option to take positions in DFC contracts with 30, 60 and 90-days maturity periods. In the brokerage space, introduction of trading only brokers, with minimal capital and regulatory burden, should lead to robust competition. In the commodity space, I share this with great joy that after registration of the first Collateral Management Company in August 2020, electronic warehouse receipt-based contracts have been granted approval for trading at Pakistan Mercantile Exchange.

The year under review witnessed record trading volumes for the last 10 years, while active investors at PSX increased by 8.8%, and market capitalization expanded by 26%.

Finally, I would also like to touch upon some of the progress that we have made to strengthen our internal working and prepare SECP for the demands and challenges of future. SECP is continuously working towards improving its information services and technologies, and integrate them with other government agencies to enable seamless and efficient information sharing. In this regard, integration with provincial departments during the year has allowed companies to simultaneously register with provincial social security and taxation departments at the time of incorporation with SECP. Moreover, given the importance of data protection, SECP has taken a number of measures to ensure information and data security across all its functions, including adoption of ISO 27001:2013, and implementation of a comprehensive security solution for data loss prevention.

Similarly, in line with the Government's Digital Pakistan Policy, SECP has completed the business process reengineering program, while several internal processes have been automated.

With regard to human capital, the SECP remains focused on induction of high-quality resources at the entry level and upskilling the existing workforce while strengthening the technology, litigation and industry specific accounting knowledge base.

I would also like to outline some of our key initiatives for the coming year. The foremost focus will remain on continuous improvement in our enforcement regime by upskilling the workforce, using technology and strengthening the litigation function. The journey of functional based structure will continue, with focus on centralizing the licensing function. The great work over the last two years under the LEAP program for end-to-end digitalization has set the stage for initiation of replacement of the existing corporate registry platform and digitalizing the internal workflow of the Commission during the next year. Finally, the ongoing focus on improving user experience and creating a transparent and accountable regime will continue.

I would like to thank the entire SECP team for their zeal and commitment in achieving the Commission’s objectives, which must be recognized. I would also like to acknowledge the efforts of my fellow Commissioners, including retiring Commissioners, Mr. Shaukat Hussain and Mr. Shauzab Ali in delivering consistent and exceptional performance.

I would especially like to mention the valuable and timely guidance provided by the worthy members of the Policy Board. My special gratitude is reserved for the Federal Government and the Finance Division, whose support for SECP's initiatives and the progress of the capital markets, was a constant source of strength for the Commission.

May Allah guide us to serve the people of Pakistan in line with our 3Vs approach - vibrance, velocity and virtuousness. Ameen!

Aamir Khan
Chairman

Key Achievements

(FY 2020-21)

- August 2020 - Regulatory requirements for opening of NRP Rupee Value Account approved to facilitate Non-resident Pakistani individuals to invest in PSX;
- August 2020 - First Collateral Management Company registered;
- August 2020 - Registered the Postal life Insurance Company under the Insurance Ordinance;
- September 2020 - Regulatory framework for Professional Clearing Member notified to stipulate licensing, conduct and operational requirements of PCM;
- September 2020 – Amendments to Collateral Management Company Regulations, 2019, introduced to improve governance structure of CMCs;
- September 2020 – Market Making framework for corporate debt and government debt securities revamped;
- October 2020 –Pakistan’s first Shariah compliant ETFs along with three other ETFs, marked the launch of ETFs on the PSX.
- November 2020 - Governance reforms introduced in PSX
- December 2020 - Regulatory framework for digitalization of account opening process in stock market introduced;
- December 2020 - Facilitation to Non-resident Pakistanis and Foreign individual customers provided for attestation of documents by Counsel General or Notary Public;
- December 2020 – For swift incorporation, a Business Centre established in Islamabad, resulting in 51% growth in new incorporations during FY-2020-21;
- December 2020 – To promote innovation, SECP's first cohort of regulatory sandbox allowed six applicants, including a crowd funding and P2P lending platform to test their business models;
- December 2020 – Detailed mechanism launched to enable digital account opening by AMCs;
- December 2020 – Notified the Corporate Insurance Agents Regulations, 2020, to improve market conduct and protect policyholders’ interests;
- January 2021 - Securities and Futures Advisors (Licensing & Operations) Regulations, 2017 amended; individuals allowed to be Securities/ Futures Advisors;
- January 2021 – Electronic Certificate of Incorporation launched;
- January 2021 – To improve security of electronic filings, eServices integrated with Pakistan Mobile Number Portability (MNP) Database (Guarantee) Limited;
- January 2021 – First mutual fund digital distribution platform, “Emlaak Financials”, launched;
- January 2021 - Updated Guidelines on Anti-Money Laundering, Counter Financing of Terrorism and Proliferation Financing;
- February 2021 – Launch of a portal that enabled banks to digitally extract documents (from SECP registry), required for opening of corporate bank accounts;
- February 2021 – Collaborated with SBP for amendments in the Foreign Exchange Manual enabling investment in units of private funds by foreigners;
- March 2021 - Notified the Reinsurance Brokers Regulations, 2021 for regulating the business of reinsurance brokers;
- March 2021 – Amendments to Companies (Further Issue of Shares) Regulations, 2020 notified to enable private companies to raise capital by receiving immovable property, intangible assets and services from potential investors;

- March 2021 – Centralization of Name Availability Processes; leading to 45,162 name availability applications being disposed of during the year;
- March 2021 – EWR regime operationalized after issuance of first Electronic Warehouse Receipt;
- March 2021 – Circular issued for, encouraging NBFCs to formulate and implement gender diversity policies for recruiting and retaining talented women;
- April 2021- Regulations for Next day netting introduced;
- April 2021 – 'One-Stop-Shop' through SECP's "eServices", expanded to cover PESSI/SESSI, 'Excise & Taxation' and 'Labor' Departments of Punjab and Sindh;
- April 2021 – Private companies and start-ups allowed to offer ownership rights to employees, as non-monetary compensation for their intellectual services;
- April 2021 – Guidance paper for issuance of Convertible Debt Securities published;
- May 2021 – Guidelines for the issuance of Gender Bonds published;
- May 2021 – Direct Listing introduced;
- May 2021 – FATF APG assessors rated Pakistan largely compliant to all SECP relevant 54 recommended action items of MER 2019;
- May 2021 - Regulatory framework for launch of 90 days Deliverable Futures Contracts approved;
- May 2021 – Electronic platform for Initial Public Offering System, allowing all categories of investors launched;
- June 2021 – Guidelines for issuance of Green Bonds published;
- June 2021 – Introduced Regulatory framework for Debt and Hybrid ETF;
- June 2021 – Licensed 3 housing finance companies;
- June 2021 – Major revamping of the REIT Regulations leading to approval of first shariah compliant Developmental REIT Scheme;
- FY 2020-21 - SECP registered 25, 533 new companies, indicating a growth of 51% compared with the corresponding financial year;
- FY-2020-21 - Pakistani market witnessed 10 IPOs i.e. eight (08) equity and two (debt) issues. All these IPOs were oversubscribed;
- FY-2020-21 - Wind up orders for 22 companies issued, Rs5 billion penalties imposed and their sponsors debarred from becoming directors of any other company and incorporating any new company.

Securities & Exchange Policy Board

S. Masoud A. Naqvi
Chairman, Policy Board

Ex-Offico Members

Yusuf Khan
Secretary,
Finance Division

Muhammad Sualeh Ahmad Faruqui
Secretary,
Commerce Division

Raja Naeem Akbar
Secretary, Law &
Justice Division

Aamir Khan
Chairman, SECP

Jameel Ahmed
Deputy Governor
SBP

Private Sector Members

Khalid Mirza
Member

Syed Asad Ali Shah
Member

Adnan Afridi
Member

Veqar ul Islam
Member

Sadeq Sayeed
Member

As on 30 June, 2021

The SECP Act 1997, while ensuring autonomy of the Commission, provides for the establishment of a Securities and Exchange Policy Board, consisting of eleven members appointed by the federal government, of which five shall be from the public sector and six from the private sector. The ex-officio members are federal secretaries for finance, law, commerce, Securities and Exchange Commission of Pakistan (SECP) Chairman, and a deputy governor of State Bank of Pakistan (SBP), nominated by the Governor SBP.

The main objective of the Policy Board is to provide guidance to the Commission in all matters relating to its functions and to formulate policies in consultation with the Commission. It is also responsible for advising the Government on matters falling within the purview of the Act and other corporate laws; and to express its opinion on policy matters referred to it by the Government or the Commission.

Board Proceedings

During the year, the Board approved numerous policy decisions concerning measures for improving ease of doing business, promoting the overall growth of the capital market, and assenting to centralization of SECP's Supervision Function.

Attendance of PB Members
During the year, eight meetings of the board were held, details are as under:

S.No.	Name Of Member	Number of meetings held	Number of meetings attended
1	* S. Masoud A. Naqvi, Chairman SEC Board	8	8
2	Chairman, SECP	8	8
3	Secretary, Finance Division	8	5
4	Secretary, Law and Justice Division	8	4
5	Secretary, Commerce Division	8	6
6	Deputy Governor, State Bank of Pakistan	8	7
7	Khalid Mirza	8	8
8	Adnan Afridi	8	6
9	Veqar ul Islam	8	8
10	Syed Asad Ali Shah	8	8
11	Sadeq Sayeed	8	3

* S. Masoud A. Naqvi, Chairman of the Board resigned from his position, on medical grounds, on June 11, 2021.

The Commission

Aamir Khan, Chairman

Commissioner, International Relations Department, Legal Affairs Division, Support Services Division, Company Law Division, Securities Market Division, Adjudication Division, Information Systems and Technology Deaprtment

Aamir Khan has over 30 years of experience in banking and capital markets, covering corporate, investment, SME and institutional banking in Pakistan and Canada. He has served in senior positions at Standard Chartered Bank (SCB), Royal Bank of Canada (RBC), and American Express Bank Ltd. He is well versed in corporate lending, treasury and credit risk management, and has extensively worked on structured financial products, international trade and cross-border transactions.

Prior to being appointed as a Commissioner, he served as an Executive Director at the SECP, where he headed several departments. He also played a key role in a number of initiatives at the SECP, focusing on expanding financial inclusion, supporting ease of doing business and regulatory reforms. A former Chevening Scholar, he has an MBA degree, as well as an M.Sc. in international banking. He is also an associate of the Institute of Bankers in Pakistan.

Farrukh H. Sabzwari

Commissioner, Islamic Finance Department, Appellate Bench Registry, Specialized Companies Division, Information Security Department

Farrukh H. Sabzwari has over 25 years of professional experience in the capital markets in Pakistan and abroad. Before joining the SECP as a Commissioner in December 2018, he was the CEO of BMA Capital Management, one of Pakistan's largest firms dealing in financial services. His previous senior management roles include a 7-year stint with Credit Suisse Securities in Singapore, as Director APAC Equities Sales, from 2010 to 2017. Prior to that, he was CEO at KASB Securities – Merrill Lynch JV partner in Pakistan, from 2005 to 2009. He has also spent more than 8 years at CLSA – a Citic Securities owned boutique investment firm, as Country Manager and Head of Sales for Pakistan from 1995 to 2001, and subsequently as VP subcontinent sales in New York in 2001-2003.

Farrukh Sabzwari has an MBA in finance from the IBA in Karachi and he completed his Singapore Broker License certification and Indonesian Capital Market Exams in 2010 and his Series 7 and 63 in New York in 2001.

Sadia Khan

Commissioner, Supervision Division, Anti-Money Laundering Department, Insurance Division, Internal Audit and Compliance Department

Sadia Khan has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. She started her career at Lehman Brothers in New York in 1991 and worked with various international institutions and local regulatory authorities, including the ADB in the Philippines, the SECP and the SBP. Prior to her appointment as Commissioner SECP, she had been serving as the President and CEO of the Pakistan Institute of Corporate Governance. She has also served on various boards as an independent director.

She has Master's degrees in Economics from both Cambridge University and Yale University, and MBA from INSEAD in France. For the past two decades, Sadia has remained a passionate advocate of corporate governance. Her book titled "The Corporate Governance Landscape of Pakistan", was published by Oxford University Press in 2017. In 2014, the French Government conferred on her, the prestigious French award, "Chevalier de 1'Ordre National du Mérite" (Knight of the National Order of Merit).

Shaukat Hussain*

Commissioner

Mr. Shaukat Hussain is a commerce graduate and a fellow member of the Institute of Cost and Management Accountants of Pakistan (ICMAP). He has professional experience of over three decades. Before assuming charge as a Commissioner on March 27, 2018, he was Executive Director/Registrar of Companies and Head of Department (HOD) of Corporatization and Compliance Department at the SECP. He joined the SECP as a Joint Registrar in September 2000. He has headed the SECP's offices in Karachi, Islamabad and Peshawar. He has also worked as Director, Securities Market Division. Prior to joining the SECP, he had worked with a professional accountancy firm, a development financial institution and listed companies of both public and private sectors. He completed his term as Commissioner on 26th March, 2021.

*Mr. Shaukat Hussain completed his term as Commissioner on March 26, 2021.

Shauzab Ali**

Commissioner

Mr. Shauzab Ali is a chartered accountant with more than two decades professional experience with focus on public policy and finance, development finance, capital markets, corporate and investment banking, portfolio management and financial management. Before his appointment in the SECP as Commissioner in March 2018, he was associated with the Asian Development Bank where he was responsible for all public and financial sector activities of the Bank in Pakistan. He has also worked at Standard Chartered and Allied Bank at senior positions in corporate and investment banking and financial control functions. After qualifying as a chartered accountant, he worked with the NBFC sector for more than 5 years in senior positions, including CFO of an investment bank and the Lahore Stock Exchange. Mr. Shauzab Ali completed his term as Commissioner on 15th April, 2021.

**Mr. Shauzab Ali completed his term as Commissioner on April 15, 2021.

Commission's Secretariat

Commission's Secretariat performs the duties and responsibilities as entrusted to it under the SECP (Conduct of Business) Regulations, 2000, and the Securities and Exchange Policy Board (Conduct of Business) Regulations, 2000, under the supervision of the Secretary to the Commission. The details of number of Commission's meetings attended by Commissioners during financial year 2020-21 are as under:

S.No.	Name of Commissioner	Number of meetings held	Number of meetings attended
1	Aamir Khan, Chairman	68	66
2	Shaukat Hussain, Commissioner	49	46
3	Farrukh H. Sabzwari, Commissioner	68	68
4	Shauzab Ali, Commissioner	53	51
5	Sadia Khan, Commissioner	68	61

Conduct of Business

During the year, the secretariat convened 64 regular and four emergent meetings of the Commission, wherein 709 working papers of departments/divisions and 97 other business items were considered and decided appropriately. Besides, the Commission also passed 38 resolutions by circulation for decision on urgent matters. The Commission's Secretariat on behalf of the Commission, issued 118 statutory regulatory orders/notifications and facilitated issuance of 34 circulars.

Appellate Bench Registry

The Appellate Bench of the SECP is a quasi-judicial forum which is legally mandated to hear appeals against the orders passed, either by a Commissioner or any other officer authorized by the SECP. The Appellate Bench comprises of two Commissioners. The Appellate Bench Registry of the Commission is headed by the Registrar Appellate Bench.

In order to dispose of pending appeals, the Appellate Bench Registry schedules hearings of appeals on a fortnightly basis, subject to the availability of Commissioners. The Appellate Bench, besides conducting hearings at the Head office in Islamabad, also conducts hearings through video conferencing from the Commission's CRO offices in Lahore and Karachi, in order to facilitate regulated entities Due to the ongoing COVID-19 pandemic, the Appellate Bench Registry is also facilitating litigants to attend hearings through video conferencing.

Between July 2020 and May 2021, the Appellate Bench disposed of 72 appeals and conducted 131 hearings. The early hearing of appeals has been a demand of the regulated entities and it is expected that by the end of the financial year 2021-22, subject to availability of relevant Bench, the Appellate Bench shall dispose of the majority of the backlog of pending appeals.

In collaboration with IS&T Department, the Appellate Bench Registry has put in place a database, which provides information on the status of pending and disposed appeals, and all orders passed by the Appellate Bench are uploaded on SECP's website.

Internal Audit and Compliance Department (IACD)

A comprehensive risk-based Annual Audit Plan for the FY 2020-21, was approved as per Internal Audit Charter. During the year, IACD conducted five (05) financial, eight (08) compliance & operational audits and a special audit assignment. Detailed reports concerning audit findings, management comments and IACD's recommendations, were issued to relevant departments/divisions and presented before the Commission on quarterly basis.

Senior Management

M. Asif Jalal Bhatti
Executive Director/HOD
Adjudication II,
Adjudication Division

Musarat Jabeen
Executive Director/
Chief Spokesperson/HOD
Chairman's Secretariat,
International Relations
Department

Bilal Rasul
Executive Director/Secretary
to the Commission
Commission's Secretariat/
Registrar Appellate Bench/
Islamic Finance Department

Bushra Aslam
Executive Director
Supervision Division

Ali Azeem Ikram
Executive Director/HOD
Onsite Department,
Supervision Division

Abid Hussain
Executive Director/HOD
Finance Department/
Administration Department

Muzzafar Ahmed Mirza
Executive Director/HOD
Advisory Department/
Legislative Review &
Research Department

Imran Inayat Butt
Executive Director/HOD
Osite Department II/
Supervision Division

Khalida Habib
Executive Director/HOD
Policy Regulation &
Development Department-
Specialized Companies
Division

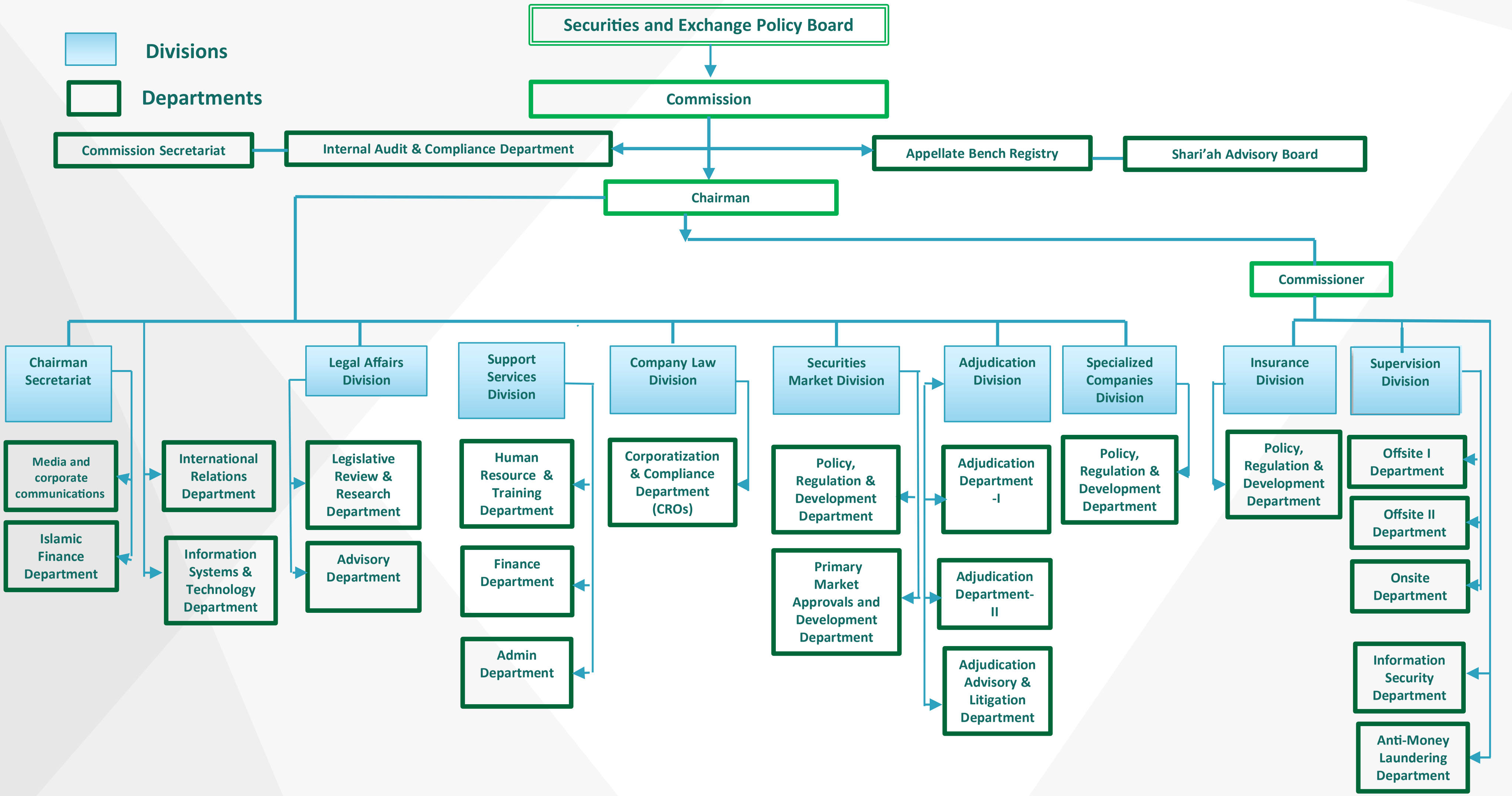
Mubasher S. Saddozai
Executive Director/
Registrar of Companies/ HOD
Corporatization &
Compliance Department-
CROs/Information
Systems & Technology
Department/Information
Security Department

Waseem Khan
Director/HOD
Market Development/
Policy & Regulation
Department (Insurance)

Asif Iqbal
Director/HOD
Policy, Regulation &
Development Department -
SMD

Najia Ubaid
Additional Director/HOD
Primary Market Approvals &
Development Department – SMD

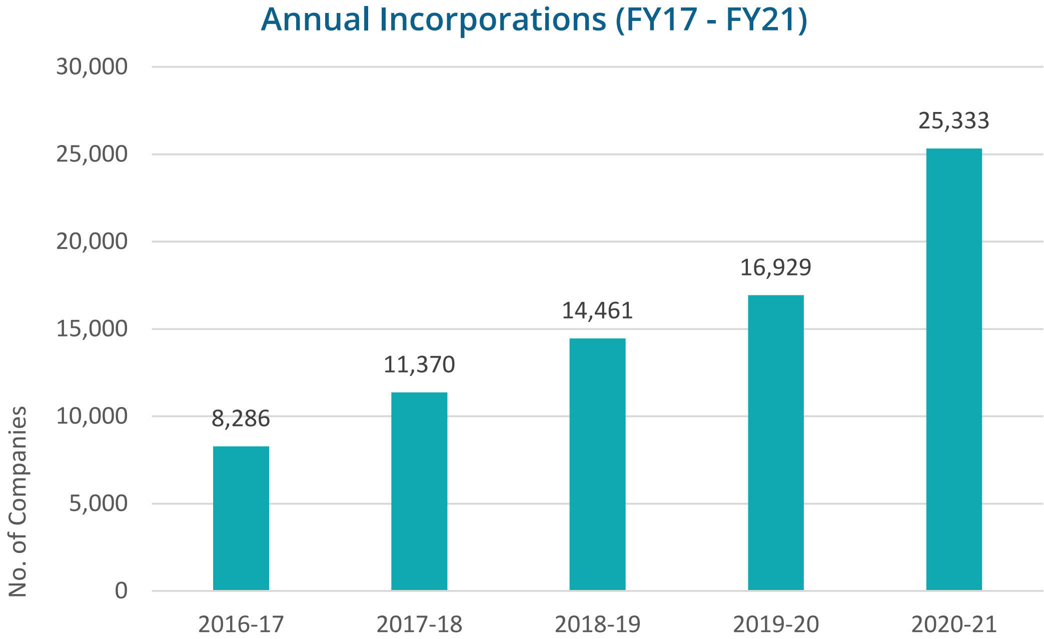
Organizational Structure



Corporatisation

Corporatisation is the process of converting new and existing non-corporate entities into registered and well-structured business form, with the objective of creating entities with sufficient administrative and financial transparency. The SECP, through its Company Registration Offices (CROs) in 09 major cities across Pakistan, plays an instrumental role in the continuous growth of the corporate sector in Pakistan.

During the year, 25,533 new companies were registered. As compared to the corresponding period of last financial year, a growth of 51 percent has been witnessed. This has raised the total number of registered companies to 145,913. The trend witnessed in formation of companies was that approximately 68 percent companies were registered as private limited companies, 29 percent were registered as single-member companies, and 3 percent were registered as public unlisted, association's not-for-profit, trade organizations, foreign companies and limited liability partnership. Further, 99 percent companies were registered online and around 33 percent of the companies were registered in same day.



In the financial year 2020-21, the construction & real estate sector took the lead with the incorporation of 4,394, trading with 4,062, IT with 2,835, services with 2,264, corporate agricultural farming with 80, food and beverages with 1,070, ecommerce with 949, education with 664, textile with 333, pharmaceutical with 566, tourism with 498 each, fuel and energy with 165, engineering with 585, marketing and advertisement with 565, transport with 254, healthcare with 196, mining & quarrying with 294, chemical with 327, cosmetics & toiletries with 239, auto & allied with 318, communication with 176, broadcasting & telecasting with 149, cables & electric goods with 244, power generation with 221, steel & allied with 151, paper & board with 99, and 3,835 companies were registered in other sectors.

Foreign investment was reported in 529 new companies. These companies have foreign investors from Afghanistan, Australia, Austria, Bahrain, Bermuda, Canada, Cayman Islands, China, Czech Republic, Denmark, Egypt, France, Germany, Hong Kong, Iran, Iraq, Ireland, Italy, Japan, Jordan, Kenya, Korea (South), Kuwait, Lebanon, Malaysia, Mauritius, the Netherlands, New Zealand, Nigeria, Norway, Oman, Palestine, Philippines, Poland, Qatar, Russia, Saudi Arabia, Serbia, Seychelles, Singapore South Africa, Spain, Sri Lanka, Sweden, Syria, Taiwan, Tajikistan, Thailand, Turkey, the UAE, the UK, the US, Uzbekistan and Yemen.

Moreover, 21 foreign companies from China, Germany, Hong Kong, Italy, Japan, Korea (South), Malta, Saudi Arabia, Spain, Turkey, UAE the UK and the US have established places of business in Pakistan during the last fiscal year.

Licensing Under Section 42 of the Companies Act

During the financial year 2020-21, SECP incorporated 63 not-for-profit associations under section 42 of the Companies Act, 2017, with objects of arts, sports, social services and charity etc. Besides, licenses of 29 not-for-profit associations have been renewed, while licenses of 3 not for-profit associations were revoked due to non-compliance. As of June 30, 2021, the number of companies licensed under section 42 of Companies Act totalled 1,184.

Schemes of Arrangements

The contemporary global market, with its inherent interconnectedness, evidences increasing Merger and Acquisition activity, given its apparent widespread benefits and gains for stakeholders – specifically for shareholders of both the acquiring and target companies. Numerous mergers are driven by the expected elimination of avoidable operational costs subsequent to consolidation of activities, while others tend to target future growth prospects through enhanced market share and global expansionary measures.

Presently, schemes of arrangement of small-sized companies and public sector companies, directly or indirectly wholly owned by Federal Government, are approved by the SECP. The aggregate number of schemes of arrangement, amalgamation or reconstruction dealt with during the preceding three years are as follows:

Particular	2019	2020	2021
Scheme of Arrangement/ Reconstructions/ Amalgamation	28	50	35

Regulatory Approvals

The Company Law Division processes applications filed by companies under various provisions of the law, for granting regulatory approvals under the applicable legal regulatory framework in addition to addressing appeals and restoring names of companies to the register of companies.

In addition, the Company Law Division processes approvals, permissions, inspection of record, issuance of copies and registration of charges under the provisions of the Companies Act 2017. Some key statistics elucidating activities undertaken by the CROs are presented below:

Company Registration Office	Information provided to different Govt Agencies e.g. NAB, FIA, FBR & other Govt Departments	Inspection of records maintained with CROs	Issue of certified copies of documents	Miscellaneous Minor activities	Registration (Form 10), modification (Form 16), satisfaction (Form 17) and Condonation of delay in submission of particulars of charge (Orders u.s. 108)
Karachi	823	6551	10057	381	4316
Islamabad	306	788	4768	2559	157
Multan	355	668	2075	1010	230
Faisalabad	65	615	15703	230	870
Lahore	151	5074	13556	400	1062
Quetta	115	2	1006	0	56
Peshawar	60	324	3174	117	412
Sukkur	22	2	886	1	11
Gilgit	0	0	650	0	2

Relief During Covid-19

During the year, owing to Covid – 19, key interventions were undertaken to minimize disruption and continuity of function by adopting tech-enabled operations. Commission recommended listed companies to facilitate attendance of their members in general meetings using electronic means as a regular feature providing opportunity for shareholders to participate in general meetings. Moreover, specific disclosure of impact of COVID-19 pandemic in the financial statements has been mandated aiding in informed decision making by stakeholders. The adjudication function also transited by serving notices and orders through email, use of video conferencing facility for conducting hearings, extending timeline for adjudication process, allowing remote access to work.

Ease of Doing Business

Recognizing the emergent need to adapt in the ever-growing corporate world and to expand the arenas available especially for start-ups to explore, the SECP has introduced following conducive reforms in the financial year 2020-21.

End-to-End Digitization of Company Registration
Embarking upon its journey towards digitization in the era of technological advancements, SECP has launched the facility for issuance of Electronic Certificate of incorporation w.e.f. January 01, 2021, and moving forward with this initiative, SECP has also launched digital combined certificate of registration with other provincial departments w.e.f. April 30, 2021, replacing the longstanding practice of issuance of physical certificates by SECP as well as by other federal & provincial departments.

SECP aims to reduce physical interaction and provide services through use of modern technology at the door-step of the end-users. Currently, there are a few jurisdictions globally where federal and provincial registrations are integrated online on a real-time basis. In the upcoming World Bank's Ease of Doing Business Report, this initiative is expected to significantly contribute towards Pakistan's ranking in "Starting a Business" indicator, where it currently stands at 72 out of 190 economies.

To further improve the security of electronic filings, SECP has integrated its eService with Pakistan Mobile Number Portability Database (Guarantee) Limited to verify mobile phone numbers of applicants against their CNICs. This verification of phone numbers of directors and sponsors of a company will greatly reduce the probability of misuse of CNICs or phone number of an individual. The whole verification process is fully electronic and instant.

Launch of Portal for Opening of Corporate Bank Accounts
Recognizing the international best practices, SECP has launched a portal in mid-February 2021 for expeditious opening of bank account of newly registered companies, whereby real-time access has been provided to banks to the certain records of companies, resulting in reduced turn-around-time for opening of corporate bank accounts and for availing other banking services. The facility will also help banks in carrying out due diligence of their corporate customers. Interested banks can apply to SECP to secure dashboard access in the portal.

Establishment of Business Centre
In December 2020, the SECP established a modern Business Centre in Islamabad, for swift incorporation of companies and facilitation to the general public. The Business Centre has a skilled team and is equipped with state-of-the-art technology, aimed to improve overall customer experience. The establishment of the Business Centre is aimed to bring SECP a step closer to standardizing the process of business registration in Pakistan, which will ensure uniformity of practices, improve turnaround time and prompt resolution of problems. During the financial year, the Business Centre has successfully dealt 45,162 name availability applications as per section 10 of the Companies Act, 2017.

Centralization of Processes
The process of Company Name Reservation earlier performed at nine Company Registration Offices has been completely centralized in the Business Centre w.e.f. March 01, 2021. Till date, an aggregate number of approximately 18,000 applications have been diligently & efficaciously processed at this centre. Furthermore, the process for incorporation of companies has been centralized w.e.f. May 26, 2021 (except for CRO Karachi & Lahore), and till date, a total of approximately 4,900 companies

have been incorporated at the Business Centre. The prime objective of centralization of processes is to ensure efficient and uniform service delivery.

Integration with FBR, EOBI and Business Registration Portals of Punjab and Sindh
SECP's online portal "eServices", has now become a 'One-Stop-Shop' for company registration through its integration with 5 other Government agencies i.e. FBR, Employees Old Age Benefits Institution (EOBI), Punjab Employees Social Security Institution (PESSI)/Sindh Employees Social Security Institute (SESSI), Excise & Taxation Department, and Labor Department of Punjab/Sindh. The applicant companies can opt for registration with any of the aforesaid departments by providing requisite information at the time of submission of their application for incorporation.

Permission to Private Companies and Start-ups to Raise Capital Against Property
With a view to facilitate small companies and startups, which constitute a significant portion of business community (approximately 81% of the total registered companies), in raising funds for their business operations, the SECP has clarified through a Circular in March 2021 that private companies can raise capital by receiving immovable property, intangible assets and services from potential investors.

Moreover, private companies were traditionally barred from attracting investment from other than existing shareholders; in order to improve business climate for small businesses, SECP has also explicitly allowed private companies to raise funds from investors other than their existing shareholders.

The objective is to expand access-to-finance net and the overall outreach for start-ups by enabling them to attract investment from a wider group of investors and in the form of assets, instead of only in cash. This will also substantially benefit the association of persons or partnerships forming a company to transfer their assets to a company and raise equity.

Permission to Private Companies and Start-ups to Offer Employees Stock Options Plan
In April 2021, SECP extended the option earlier only available to public companies, by enabling private companies and start-ups to offer ownership rights to their employees, as a non-monetary compensation for their intellectual services. The trend of offering shares to employees is globally more prevalent in start-ups, which might not be able to afford hefty compensation packages for their employees.

Facilitation of Foreign Investors
SECP has also set up a designated help desk at its Business Centre, to provide exclusive facilitation to Chinese investors and start-ups planning to invest in Pakistan. The Chinese Help Desk, staffed with a team proficient in Mandarin, aims to provide requisite support to Chinese investors for registration of their businesses in Pakistan.

In addition, the Company Incorporation Guide in various foreign languages, including Chinese, Turkish, Arabic, Urdu and Spanish, has been made available on the website. The guide describes the step-wise procedure required for name reservation and registration of a company covering overview of applicable legal framework and applicable fees.

Regulatory Reforms

Companies (Amendment) Bill, 2021
The Companies (Amendment) Bill, 2021 was primarily proposed to promote start-ups, business innovation & entrepreneurship, improve general business climate and promote ease of doing business. Instrumental amendments ranging from definition of start-ups, provision of exit mechanism through buy-back of shares by any company, exemption from filing of unaudited financial statements for private companies having insignificant paid-up capital; and abolishment of company seal to the change in threshold from 10% to 5% required to give notice of shareholders' resolution – aiming to protect interests of minority shareholders – as well as abolishment of requirement to mention husband's name by a married woman for registration of a company (in line with World Bank's Women, Business and Law Report), are expected to secure further upgradation in upcoming Ease of Doing Business Report by the World Bank.

Financial Institutions (Secured Transactions) (Amendment) Bill, 2020
On June 10, 2021, the National Assembly approved the Financial Institutions (Secured Transactions) (Amendment) Bill, 2020, which, besides promising efficient administration of Secured Transactions Registry through delegation of powers of Federal Government to SECP, aims to extend the scope of the Secured Transaction Act, 2016 to future assets and products, in order to enhance access to finance for small & medium sized entities. These amendments are expected to substantially improve Pakistan's ranking in the Getting Credit" indicator in the World Bank's Ease of Doing Business Index.

Contribution to Woman, Business and the Law (WBL) Index
In March 2021, Pakistan significantly improved its score on the entrepreneurship indicator of Woman, Business and the Law (WBL) index, from 50 to 75 points, as per the WBL Report 2021. The rise was mainly attributed to reforms introduced by the SECP, enabling women to register a company effectively and promptly. In the 2021 report, Pakistan improved its score on two indicators: entrepreneurship and workplace, resulting in increase in overall score to 55.6, from 49.4 in 2020.

Amendments in the Companies (General Provisions and Forms) Regulations, 2018
SECP has notified draft amendments in the Companies (General Provisions and Forms) Regulations, 2018 on May 25, 2021, soliciting public comments. The amendments aim to improve the quality of information through simplification of statutory forms, and significant reduction in number of forms, thereby greatly reducing the regulatory burden.

Amendments in the Companies (Further Issue of Shares) Regulations, 2020
In March 2021, SECP notified draft amendments in Companies (Further Issue of Shares) Regulations, 2020 to address the impediments faced by the corporate sector, particularly startups and small companies, in raising equity through conventional modes. In line with international best practices, proposed changes include permission to convert one class of shares into another class, issuance of shares with differential rights without approval of SECP, and specification of mechanism for valuation of non-cash assets. This will reduce administrative burden and contribute towards growth by removing a layer of regulatory approval.

Way Forward

In line with its vision of developing a modern and efficient corporate sector, SECP aims to further build its corporatization momentum. Upcoming steps to ensure healthy growth of corporate sector will be hinged on the following;

- A comprehensive review of the corporate landscape of Pakistan to devise policies and encourage bringing undocumented businesses in the formal sector.
- Further improvements in the processes to facilitate enhanced self-regulation, with an acute focus on start-ups, especially tech-start-ups.
- Building on recent integration with the provincial departments of Punjab and Sindh, integrated registration with Baluchistan and KPK shall be embarked upon to further improve business climate in the country.
- Extending the access and availability of SECP's Portal recently launched for banks to other licensed sectors and associations including insurance, non-banking finance companies etc. that require certified copies of statutory documents of companies for execution of their respective objects.
- Frequent Awareness Sessions on measures taken for ease of doing business in the country regarding Secured Transaction Registry, and on prevention from fraudulent setups attempting to unlawfully leverage their registration status to extend unlicensed and illegal deposit taking schemes, Multi-layer Marketing (MLM), leasing etc.

Capital Markets

Stock Market

In FY 2020-2021, KSE-100 Index depicted an overall increasing trend. Throughout the year, market operations remained smooth with no disruptions observed in settlements of trades, despite limitations posed by the ongoing pandemic, indicating resilience of capital market in Pakistan.

On June 30, 2021 there were 532 listed companies with paid-up capital of Rs1,442.64 billion. The KSE-100 index began the year at 34,421.92 points and ended at 47,356.02 points on June 30, 2021, i.e., an increase of 38% since the beginning of the year. Market capitalization was Rs8,297.31 billion on June 30, 2021, which is 27% higher than market capitalization of Rs6,529.71 billion recorded on June 30, 2020.

During the year, KSE-100 Index touched its lowest level of 34,889 on July 01, 2020 and highest level of 48,726.08 on June 14, 2021. Average daily turnover in ready and future markets was 527.45 million shares and 141.26 million shares, respectively, which are 169% and 78% greater than the previous year. On May 27, 2021, stock market hit all-time high volume of 2.22 billion shares traded in a single day. Foreign investment in the stock market exhibited net outflow of $387.34 million during FY 2020-2021, which is 36% higher than net outflows of $284.83 million observed in FY 2019-2020.

Commodity Market

During the period July 01, 2020 to June 30, 2021, various commodities futures contracts including gold, crude oil and US equity indices, worth Rs. 2.841 trillion were traded at PMEX. Previously, for the period of 2019-2020, various commodities futures contracts worth Rs. 2.254 trillion were traded.

Licensing of Entities

With regards to licensing of entities for carrying out regulated securities activities, following number of entities had active licenses:

Number of entities having licenses issued under relevant regulations		
	As of June 30, 2021	As of June 30, 2020
Share Registrars & Ballotters	13	13
Banker to an Issue	17	14
Consultant to the Issue	25	17
Credit Rating Agencies	2	2
Debt Securities Trustees	10	10
Underwriters	34	27
Futures Brokers	66	51
Securities Brokers	203	202

Public Offerings

Primary capital markets offer immense potential for business growth and development by providing opportunities to raise capital, both in form of equity and debt, at competitive prices. In the Asian market, Initial Public Offerings (IPOs) have increased due to the substantial growth opportunities. Since Pakistan is an emerging economy, huge potential exists for companies to go public. In keeping with its role of capital market regulator, SECP is striving to implement reforms that encourage companies to enlist on the stock market.

During FY-2020-21, Pakistani market witnessed 10 IPOs i.e. eight (08) equity and two (02) debt issues. All these IPOs were oversubscribed, showing investor confidence in the capital market. The surge in IPOs can be directly attributed to various reforms introduced by SECP in the recent past, including amendments in Public Offering Regulations, 2017, Structuring of Debt Securities Regulations, 2020 and in PSX Regulations, whereby the process of public offering has been streamlined.

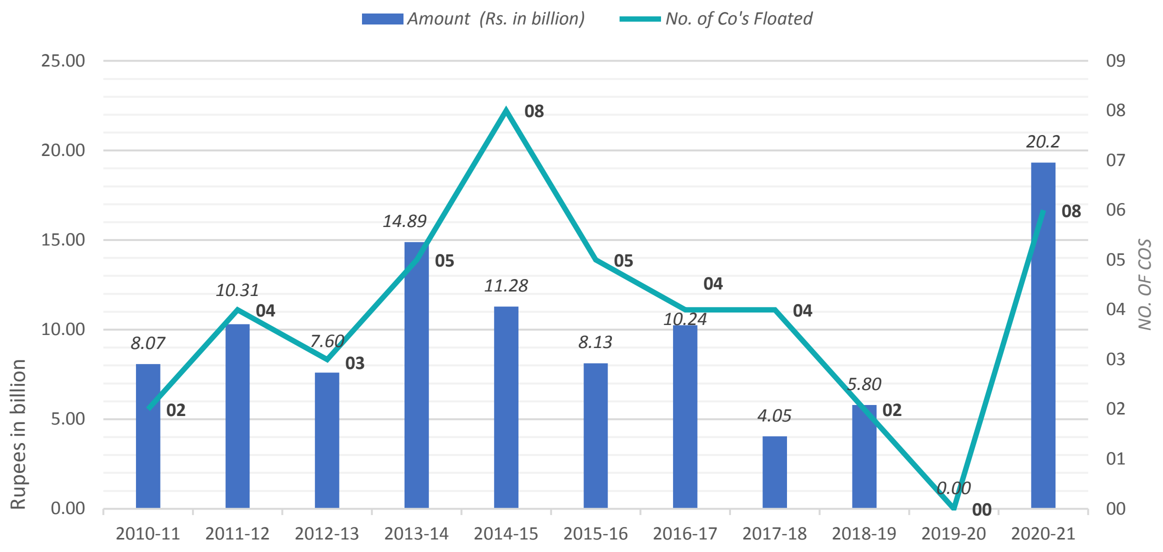
Equity

The IPO activity have shown tremendous improvement after a long spell. Highest number of companies have been listed compared to last 5 years, whereas funds raised is the highest during a decade. During the FY 2020-21, eight (08) companies raised Rs20.2 billion as compared to no listings during the FY 2019-20. Out of these eight companies, seven are newly listed companies, whereas one already listed company namely Engro Polymer & Chemical Limited, offered its preference shares to the general public. All the issues were oversubscribed, while Pakistan Aluminium Beverage Cans Ltd was the largest, raising an amount of Rs4.60 billion.

Equity Public Offerings

S. No.	Company Name	Bidding Period	Date of Public Subscription	Book Building Portion (75%)	Retail Portion (25%)	Total Issue Size	Strike / Issue Price	Total Funds raised	Total Paid up Capital (Post Issue)	
				(Number of Shares (Mn)			(PKR)	Amount (PKR Mn)	Number of shares (Mn)	Amount (PKR Mn)
1	The Organic Meat Company Limited	03 - 07 Jul 2020	14 - 16 Jul 2020	30	10	40	20	800	111.82	1,118.18
2	TPL Trakker Limited	NA (Fixed Price Method)	22 - 23 Jul 2020	-	66.82	66.82	12	801.85	187.26	1,872.63
3	Agha Steel Industries Limited	06 - 07 Oct 2020	14 - 15 Oct 2020	90	30	120	32	3,840	576.08	5,760.75
4	Engro Polymer & Chemical Limited (Preference Shares)	NA (Fixed Price-Preference Shares)	17 - 18 Dec 2020	-	37.5	37.5	10	3,000	300	3,000
5	Panther Tyres Limited	27-28 Jan 2021	03-04 Feb 2021	30	10	40	65.80	2,632	140	1,400
6	Service Global Footwear Ltd.	7-8 April 2021	12-13 April 2021	30.67	10.22	40.89	53.2	2,175.22	204.44	2,044.38
7	Citi Pharma Limited	15-16 June 2021	23-24 June 2021	54.52	18.17	72.69	32	2,326.14	207.69	2,076.92
8	Pakistan Aluminium Beverage Cans Ltd	22-23 June 2021	29-30 June 2021	70.42	23.47	93.89	49	4,600.51	361.11	3,611.08
TOTAL				306	206	512		20,175	2,088	20,884

Equity IPOs Over Last Decade

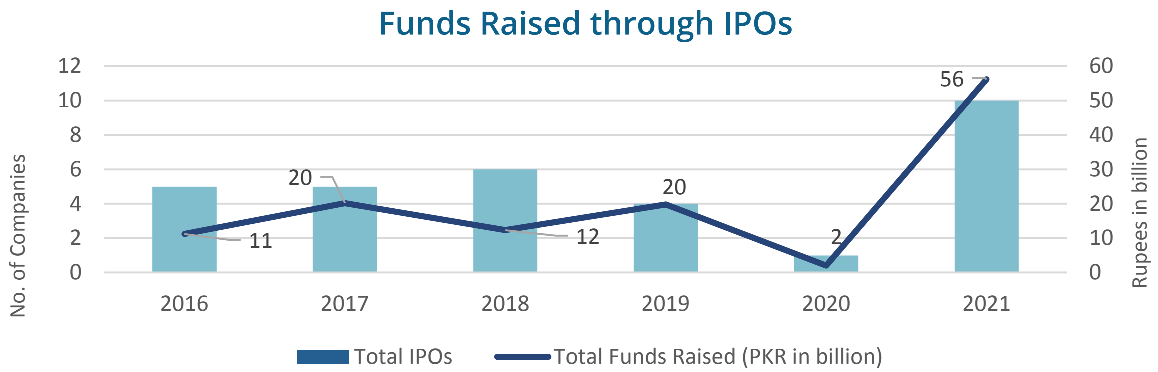


Redeemable Capital

During the year, two (02) issue of listed redeemable capital were offered to the public and pre-IPO investors as compared to one issue (01) during the last year. Out of these two issues, one was Rs25 billion Sukuk Issue by K-Electric Ltd. and the other was Rs11 billion TFCs (Series-A) by Bank Alfalah Ltd. The TFC (Series-A) issue by Bank Alfalah Ltd., has been offered under shelf registration over a period of 3-years, out of total allowed limit of Rs50 billion. Both these issues were oversubscribed. The detail of these issues are as follows:

S. No.	Company Name	General Public	Pre-IPO Investors	Total Issue size (Rupees in million)
1	Bank Alfalah Limited	2,000	9,000	11,000
2	K-Electric Limited	1,292	23,708	25,000
	Total			36,000

Graphical representation of funds raised through public offerings of Equity and Debt during last 5 years depicting impact of regulatory reforms is presented below:



Private Placements

A well-developed corporate bond market is essential for the growth of economy, as it provides an additional avenue to government and the corporate sector, to raise funds for meeting their financial needs. During the period under review, 22 debt securities were reported, break-up of which is given below:

Sr. No	Type of Security	No. of Issues	Amount (Rupees in billion)
1	Privately Placed Term Finance Certificates	5	11.7
2	Privately Placed Sukuk	7	23.85
3	Privately Placed Commercial Papers	10	39.9
	Total	22	75.45

As of June 30, 2021, a total of 90 corporate debt securities have reported an outstanding amount of Rs353.27 billion against privately placed redeemable capital, comprising following categories:

Sr. No	Name of security	No. of issues	Amount outstanding (Rupees in billion)
1	Term Finance Certificates (TFCs)	47	146.52
2	Sukuk	42	202.25
3	Commercial Papers (CPs)	1	4.5
	Total	90	353.27

Further Issue of Capital – Listed Companies

During the year, listed companies raised capital worth Rs45.03 billion through right issuance and Rs0.31 billion through other than right.

	2021		2020		2019	
	No of Companies	Amount Raised - Rs in billion	No of Companies	Amount Raised - Rs in billion	No of Companies	Amount Raised - Rs in billion
Right Issue						
Issue of shares at Par	11	10.55	9	18.7	7	7.8
Issue of shares at Discount	0	0	0	0	1	7
Issue of shares at Premium	11	32.6	8	10.4	1	0.5
Preference Share	1	1.8	1	2.4	0	0
Total Right Issuance	23	45.03	18	31.5	9	15.3
Other than Right						
Issue of shares at Par	0	0	2	3.07	4	0.63
Issue of shares at Discount	0	0				
Issue of shares at Premium	3	0.31	1	0.73	1	1.77
Employees' stock option	3		1		1	
Preference Share			1	3		
Total Issuance Other than Right	6	0.31	5	6.8	6	2.4
Total	29	45.34	23	38.3	15	17.7

Issuance of Securities Outside Pakistan

During the period under review, SECP granted approval under Section 95 of the Securities Act, 2015, for issuance of €500 million Euros Bonds by Water and Power Development Authority (WAPDA) in international markets, to meet the cost of its projects/dams.

Amendments in Fourth and Fifth Schedules to the Companies Act, 2017

SECP through its notification SRO 450(I)/2021 dated April 6, 2021 specified the amendment in fourth schedule to the Companies Act, 2017 to make it obligatory for the listed companies to disclose the detailed description of any stay order obtained by the company against ongoing inspection/investigation proceeding initiated by the Commission under the Act. This amendment would provide additional information about affairs of the company to users of the financial statements and would improve protection of minority shareholders.

Measures Taken in Wake of COVID-19

A number of supportive measures were carried out to address challenges faced by the capital markets participants. In this regard, directive was issued to NCCPL to relax the requirement of performing biometric verification at the time of opening of account and to defer completion of biometric verification process for such accounts. Subsequently, alternate process of customer verification was introduced. Further, relaxations from regulations were also provided to allow securities brokers to activate and operate the DR terminals for trading purposes during normal operations of PSX. Such measures have allowed smooth functioning of capital market operations despite COVID-19 pandemic.

Report on "Women on Boards"

SECP's corporate governance reforms appended inclusiveness and independence of board (female, independent directors), introduced performance review of boards and enhanced disclosures. The Commission also addressed gender diversity in the Companies Act, 2017 and the CCG Regulations, 2019, mandating all listed companies to have at least one female director on their boards. In order to ascertain the impact of the aforesaid reforms, SECP prepared a report on "Women on Boards" which included a study conducted by a team of SECP and PSX. The report explicated impacts of changes made in the law pertaining to women representation on boards of public interest companies. Financial performance of listed companies with and without women board members was compared and the results showed that, prima facie, financial performance of companies with women on board was better. Furthermore, after these changes in the law; increase in women representation has been witnessed, primarily across three variables: number of women on boards, the number of independent women directors, and women chairpersons.

Developmental Reforms

SECP's capital market reforms are focussed to ensure provision of complete eco-system desirable for the capital formation. While doing so, SECP continuously seeks feedback from IOSCO member countries, in addition to independent research of the international legal standards and best practices. Reforms carried out during the current year are listed below.

Digitization of Account Opening Process
As part of SECP's digital transformation agenda, investors have been facilitated to seamlessly open their accounts with a broker from anywhere in the country without requiring to submit any documents physically or visit a broker. In order to ensure maximum investor protection, an online customer verification process has been introduced for opening of online accounts. This online verification will be conducted independently by the Centralized KYC Organization. These measures would improve investor participation in our capital market and grant country wide access to investors.

Opening of Non-Resident Pakistani Rupee Value Account (NRV Account)
Pursuant to the launch of Non-Resident Pakistanis (NRPs) Rupee value (NRV) Account under Roshan Digital Account (RDA) initiative, NRPs can invest in listed shares and open accounts with capital market intermediaries on the basis of KYC information submitted to the banks. Requisite regulatory amendments were made and operational system was implemented for sharing of KYC information and opening of trading accounts. As a result, NRPs can electronically open their trading accounts with brokers from anywhere globally without submission of any physical documents. This has encouraged investment in our capital market.

Opening of Investor Account by Non-Resident Pakistanis or Foreigners
For opening of trading account, NRPs or foreigners were required to submit documents duly attested by Consul General of Pakistan having jurisdiction over the applicant in terms of Centralized Know Your Customer (KYC) Organization (CKO) Regulations, 2017 (CKO Regulations). However, during COVID-19 pandemic, NRPs and foreigners faced practical difficulties in getting their documents attested for opening of trading accounts.

Amendments were therefore introduced in CKO Regulations with an option of 'Notarization' to allow NRPs/foreigners to get attestation by either notary public or Consul General of Pakistan. This measure has facilitated NRPs or foreign investors to comply with regulatory framework and enabled them to invest in Pakistani capital market. These steps would encourage NRPs and foreign investors to invest in our capital market with ease, leading to increased FPI and enhanced investor base.

Seamless Processing of CKO
The Centralized CKO performs independent verification of information of all new customers. Necessary amendments in respective regulatory framework were made to address the practical difficulties faced by market participants and investors and to make the process more seamless, which include allowing company provided mobile number for opening of account and facilitating Asset Management Companies, group of companies and International Broker Dealers in using single UIN in respect of multiple accounts.

Further, in order to enhance ease of access for investors, amendments have been approved in the PSX Regulations requiring listed companies to use PSX's AGM calendar. This would enable companies to reduce overlap in holding their AGMs thus enabling shareholders to participate in the meetings.

Investor Protection
Requisite amendments have been carried out in regulations of PSX and Central Depository Company of Pakistan Limited (CDC) to enable the capital market infrastructure institutions to utilize shares of a defaulting broker lying in its house account. Proceeds from the sale of such shares would be available to settle the broker's outstanding obligations including settlement of investor claims.

Enhanced Corporate Governance of SROs
Regulatory requirements applicable on the governance structures of the market infrastructure institutions have been revamped by reducing the size of PSX Board, aligning the number of independent directors on the Board, instituting assessment of board and senior management,

issuing guidelines for appointment of independent directors, rationalizing qualification and experience requirements of the senior management etc. Necessary amendments were also made in the PSX Regulations for delegation of operational powers of PSX Board to its Chief Executive Officer and Chief Regulatory Officer.

Development of Derivatives Market
Necessary amendments have been made in PSX Rulebook for launching 90 days deliverable futures contracts with enhanced eligibility criteria for selection of securities for futures contracts. Such measures aim to bring efficiency in the product, align the product with international practices and reduce systemic risk.

Next Day Netting and Early Payment Facility
In order to facilitate market participants and to improve liquidity in the capital market, regulatory framework for 'Next Day Netting Facility' and 'Early Payment Facility' has been approved which will be offered by NCCPL. These products will enable NCCPL to provide liquidity to securities brokers and their customers against their outstanding positions with adequate risk management features.

PSX's Electronic Initial Public Offering System (PES)
SECP introduced the electronic-IPO system in coordination with CDC. Through the said system investor(s) can submit IPO application electronically and make subscription payment through e-banking channels.

Over the years, Centralized EIPO System (CES) received an overwhelming response from IPO investor(s) and on average more than 50% of IPO application(s) were submitted electronically. However, the limitation of CES was that it only allowed individual investors to submit IPO application and pay subscription money electronically. To enable institutional corporate investors and RDA holders to submit application electronically, SECP in coordination with PSX has launched PES, allowing all categories of investors to seamlessly apply through the electronic platform. Through this platform, banks and brokers can also submit electronic application on behalf of their respective client. PSX e-IPO system was made operational during the IPO of Service Global Footwear Limited.

Guidelines - Issuance of Gender Bonds
As a step towards promotion of gender equality – with a growing recognition of women's role in the economy, SECP has developed guidelines for the issuance of Gender Bonds. These guidelines are aimed to facilitate the issuers of debt securities to diversify their sources of financing and provide an additional financial instrument to a particular class of investors.

Guidelines - Convertible Debt Securities
To guide potential issuers and investors about different modes of financing and investment avenues, a Guidance Paper detailing mechanics and elements for issuance of Convertible Debt Securities (CDS) has been published. It is a hybrid instrument having both debt and equity features. Initially it is a fixed-income security that yields interest payments and subsequently can be converted into specified number of equity shares. The Guidance Paper mainly covers, features of CDS, its benefits to investors, opportunities for issuers, criteria for issuance of these and steps involved.

Guidelines for Issuance of Green Bonds
In order to promote green finance, to contribute positively towards protection of environment, combat climate change and also as part of the World Bank's commitment to support the Government's Green Pakistan Program, guidelines for issuance of Green Bonds have been issued, in line with international best practices.

Position Paper on Fractionalization of Physical /Tangible Assets on Electronic Platforms
To introduce and propel trust in the electronic platforms, SECP published a position paper outlining major issues related to digital finance industry in Pakistan. The paper also highlighted that i) type of assets involved in 'securitization' are only future receivables, whereas 'fractionalization' entails all physical assets; and, ii) in 'fractionalization', the value of fractions issued cannot exceed the value of underlying asset, whereas the same is not the case for securitization i.e. value of securities issued can exceed the value of underlying asset owing to use of credit enhancement.

Equity Crowd Funding – Sand Box (1st Cohort)
The SECP, under the first cohort of regulatory sandbox, launched in 2020, has allowed 6 applicants, including a crowd funding platform, to test its business model during the testing phase of 6 months. Equity Crowd funding is a new financial product that enables start-ups/small companies to raise funds from investors through online platform, without meeting any stringent quantitative criteria and at a lower cost.

A company has been allowed to operate an equity crowd funding platform in a controlled environment, for a period of up to six months (starting from February 15, 2021), in accordance with certain conditions and limitations, being closely monitored by SECP during its testing phase. At the end of the testing period, the entity shall submit a comprehensive report to the Commission on the fund-raising activities carried out through the platform, which will then be reviewed while finalizing future course of action in this context.

Capital Formation

Following amendments have been introduced to facilitate formation of capital by companies:

Introducing Direct Listings
In line with international practice, to facilitate listing of companies especially State-Owned Enterprises (SOEs) and to promote the culture of good governance among corporate sector, SECP in collaboration with PSX has introduced the concept of Direct Listing. Direct Listing is an alternate to traditional listing, whereby shares of a company are listed on the stock exchange with minimal involvement of intermediary(-ies). This approach of listing is globally adopted in many jurisdictions and is expected to provide the companies with the option of tapping the capital market in an efficient manner.

Strengthening of Growth Enterprise Market (GEM)
To Increase investor’s outreach, accredited investors have been redefined. All institutional investors and individual investors, having net worth of greater then Rs5 million, can now invest in securities on GEM Board. Moreover, with the objective of bringing efficiency and creating ease in capital formation, the SECP has now allowed banks and accounting and auditing firms to act as advisor for listings on GEM Board at PSX.

To facilitate formation of capital, listed companies are allowed to list other classes of shares without mandatorily making a public offer of respective class of shares. Consequential amendments have been made in the PSX Regulations. Further, for secondary public offerings and initial public offering of other class of shares, a listed company, if compliant with the listing requirements, can now publish the offering document, based on audited accounts older than eight months. Consequential amendments made in the PSX Regulations.

Listing of Other Classes of Shares
Listed companies are allowed to list their other class of shares without mandatorily making public offers of respective class of shares. Consequential amendments have been made in the PSX Regulations. Furthermore, listed companies making secondary public offerings and initial public offerings of other class of shares, if compliant with the listing requirements, can now publish the offering document, based on audited accounts older than eight months. Consequential amendments made in the PSX Regulations.

Structuring of Debt Securities Regulations, 2020
With recent amendments in the Trust Act, where legal persons were removed as an eligible entity to act as trustee/investor, and to streamline the issuance of secured and unsecured debt securities, the scope of activities performed by investment agent have been enhanced. The framework now caters for the scenario where the Government can also opt in to issue Sukuk and other debt instruments through capital market. As a result of these changes, 22 private placements and two public offerings were successfully completed during the year.

Revamping of Market Making framework
To address liquidity concerns of secondary debt market and provide enabling environment for trading of government debt securities at PSX, Market Making framework has been revamped. Non-broker members, including commercial banks, have been allowed to place quote(s) for both corporate debt and government debt securities at Bonds Automated Trading System (BATS) of PSX. As of June 30, 2021, ten financial institutions have been registered with PSX as Market Maker for placing quotes on BATS for both Corporate and Government Debt Securities. The PSX witnessed trades in the BATS segment during the year, after almost a decade.

For increasing outreach to investors, the State Bank of Pakistan, after seeking comments of the SECP, have revised Primary Dealer Framework, whereby capital market investors can now directly participate/invest in Government debt instruments and Sukuks by registering with CDC and National Clearing Company of Pakistan Limited (NCCPL). In this regard, profitability requirement has been relaxed, where State Owned Enterprises (SoEs) intends to raise funds from the public through issuance of Government guaranteed instruments or hold investment grade entity rating.

Moreover, for efficient spread discovery, automated book building mechanism has been introduced. This method has effectively been run by the Government of Pakistan (GoP) in issuance of Power Energy Sukuk – II, that resulted in historic below KIBOR spread discovery and the GoP successfully increased its outreach to different categories of investors including individuals.

Regulatory Reforms

Professional Clearing Member (PCM)
The Professional Clearing Member Regulations, 2020 have been approved and notified, which stipulate licensing, conduct and operational requirements for a company functioning as a PCM. Such company shall provide clearing/settlement and custodial services to securities brokers and their customers thereby increasing business efficiency, reducing compliance burden and allowing brokers to focus on their core business areas. Under these regulations, after issuance of license to a company by the SECP to provide services as a PCM in our capital market,the first PCM has commenced its business operations.

Amendments to Collateral Management Company (CMC) Regulations, 2019
Amendments were approved and accordingly notified in the CMC Regulations vide SRO No. 915(I)/2020 dated September 25, 2020 for providing ease of doing business and improving the overall governance structure applicable to CMCs vis a vis making CMCs fully liable for any gross negligence, applicability of code of corporate governance, creating provision for transfer of Electronic Warehouse Receipt (EWR) in case of death and enabling a creditor to secure its interest in any manner acceptable to it etc. Under the CMC Regulations, a CMC has also been registered which has started the process of issuance of electronic warehouse receipts.

Amendments in Murabaha Share Financing Regulations
The SECP has introduced reforms in Murabaha Share Financing (MSF) to make it easier for the Islamic Financial Institutions, market participants and investors. Through these amendments, a system-based initiation and affirmation process has been introduced at the time of MSF Sale Transaction. Further, options for collateral management have also been added to facilitate MSF Seller i.e. IFIs and market participants in executing MSF transaction to their clients and release of shares against payment of cash or other collateral.

Amendments in Securities and Futures Advisers (Licensing and Operations) Regulations, 2017
To propel the initiatives of the Commission for broadening investor base, enhancing investor outreach and building investor awareness, amendments were introduced to allow the individuals to act as Securities & Futures Advisors and to act as distributor of units of mutual funds of multiple AMCs. The amendments have been proposed to make advisory regulatory regime more practicable and conducive by reducing the minimum experience requirement of a securities advisor or future advisor from five years to three years. Further, with an objective to promote good governance practices, ensuring investor protection and having skilled investment, only individuals meeting fit and proper criteria have been allowed to act as Securities & Futures advisor. Further, individuals who are graduates and have three years' relevant experience have been allowed to perform distribution of mutual funds for units of multiple AMCs. Further, by allowing individuals it will encourage participation of youth in the mutual funds industry.

Outcome of SECP's Initiatives

Capital market reform measures have improved investor participation by allowing ease of entry into the market. In this regard, not only domestic but foreign investors and NRPs have also shown more interest in investing in our capital market. Owing to facility of online account opening process for NRPs, approximately Rs2.589 billion funds have been received for investment in securities as of June 30, 2021. Further, the online account opening facility introduced in January 2021 has resulted in opening of more than 10,500 accounts through this facility, which forms approximately 38% of total new UINs registered during the period.

Measures undertaken in response to the COVID-19 pandemic also resulted in seamless market operations without any disruption. Securities brokers retained uninterrupted access to the market while investors continued to open their accounts from across the country.

For implementation of new brokerage regime, introduction of Professional Clearing Member model is imperative. Subsequent to provision of regulatory coverage, license has been issued to a company to function as PCM which has set the stage for finalizing and introducing brokers categorization, thus paving the way for enhanced investor protection.

Further, corporate governance of PSX has been enhanced which shall improve operational efficiency and functioning of PSX in the capital market. Other corporate governance measures have resulted in removing over-regulation and rationalizing educational qualification and experience requirements for senior management officials of SROs. In addition, reform measures foster investor confidence in our capital market resulting in increased investor participation. Also, investors are facilitated to easily attend AGMs when AGMs are scheduled through PSX AGM Calendar and by encouraging companies to provide electronic modes for shareholders to attend AGMs.

Risk Management

To perform ongoing risk analysis, SECP has a dedicated Systemic Risk Wing to monitor cross segment systemic risk indicators, macroeconomic and political developments, structural and regulatory matters affecting the markets. The SRW interacts internally through the systemic risk review committee (SRRC), and coordinates SECP's efforts at the national level through the National Financial Stability Council.

The SECP also coordinates with SBP on micro and macro level risk management and conducted various sessions during the year to get an insight on risk protocols implemented in SBP. The initiative is aimed at increasing inter-agency collaboration and capacity enhancement, to improve risk functions and protocols of the SECP.

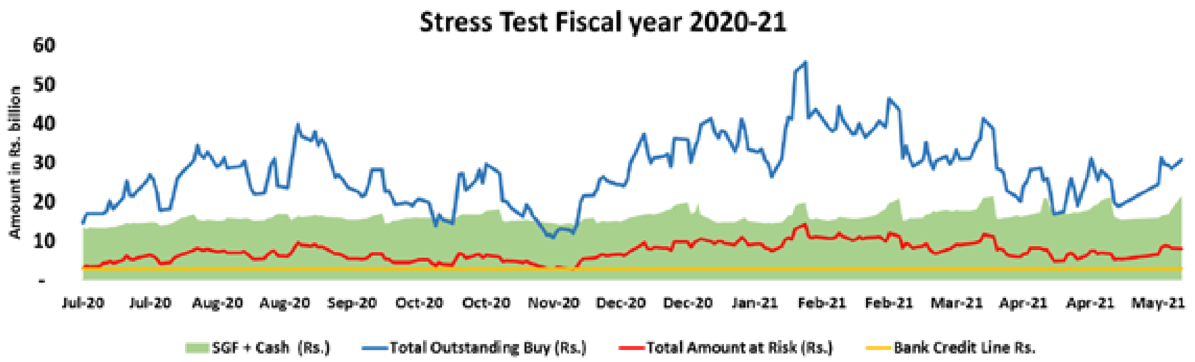
During FY 21, the markets remained relatively stable, as evident from the performance of benchmark Index, which improved during the year. This can be mainly attributed to higher returns, lower volatility and increased liquidity, as compared to FY20. Key Activities performed by SRW are as under:

Risk Reporting Mechanism
Monitoring and generating reports on daily and fortnightly basis, for medium to long term analysis of capital market vis-à-vis macroeconomic indicators.

Simulations and Scenario Analysis
During the year, a scenario analysis carried out in collaboration with NCCPL, to gauge the resilience of the market in case of a sharp decline within short time span. It was observed that, even after increasing the margin requirements significantly, the existing collateral levels were found to be sufficient in meeting the additional margin requirements, which suggests that the existing margining regime is covering market volatility efficiently.

Stress Testing

An in-house model developed by SECP and NCCPL conducts forward looking stress and reverse tests on daily basis, to give an insight on resilience of margins, settlement guarantee fund and other resources of clearing house. The results indicate that there are ample risk management protocols in place to handle any crisis in the capital market.



Way Forward

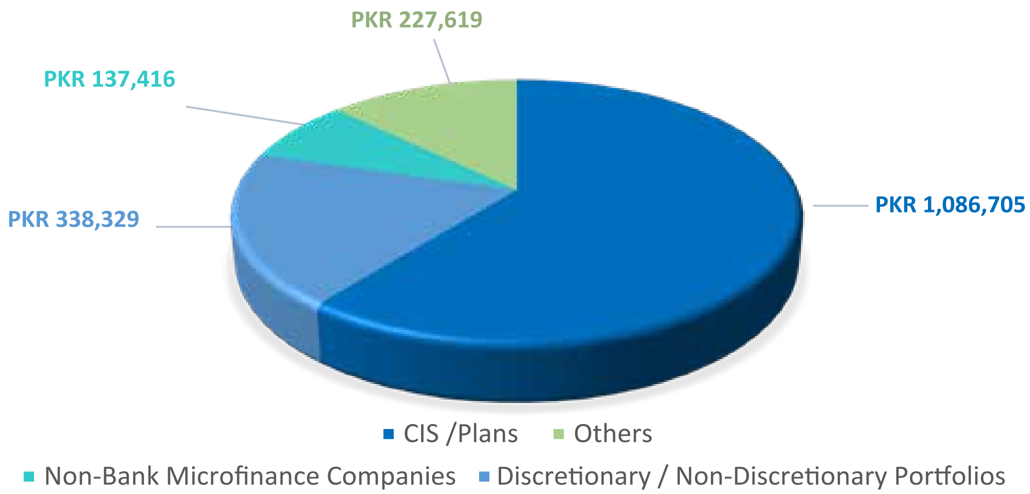
- The Securities Act, 2015 and the Futures Market Act, 2016 are being reviewed for amalgamation and rationalization of various requirements therein for removing redundancies, impediments and barriers to entry, and upholding technological innovation and investor protection.
- The new broker regime shall be implemented for categorising brokers according to their financial resources and governance requirements. Accordingly a Professional Clearing Member has already been launched. Brokers meeting higher benchmarks would be permitted to retain custody of investors' assets while brokers unable to comply with such requirements shall be required to transfer custody of investors' assets to third party professional clearing member or another securities broker.
- Enhancing scrip-based circuit breakers from 7.5% to 10% and introducing a second tier of index-based market halts in order to enhance efficient price discovery in the market and curtailing extreme volatility at the market wide level. In this regard, regulatory amendments in PSX Regulations have been approved for initiating phased expansion of circuit breakers.
- Introduction of a robust and efficient New Trading and Surveillance System at PSX to offer significantly enhanced capacity and better speed. The new trading system will be instrumental in product innovation, development of derivative market and investor protection in Pakistan's securities market.
- Strengthening linkages between the banking industry and capital market for domestic customers, on similar lines as seamless online account opening for NRPs through the RDA initiative. By enabling individuals to open their trading accounts through banks, this measure would help in increasing access of local market investors and enhance ease of doing business through electronic means. Efforts are also being made to enhance customer onboarding through the telecom sector.
- Further improvements in IPO process, to shift approval-based requirements to disclosure based, requiring only listing approval by the securities exchange.
- Introduction/Revamp of legal framework for Asset Backed Securitization transactions, Special Purpose Acquisition Company (SPACs), and Exempt Offerings.
- Introduction and implementation of electronic platform for Book Building, whereby the bid amount would be transferred electronically through internet, ATM and mobile phones.
- Review of Companies (Further Issue of Shares) Regulations, 2020 to create ease in capital formation.

Non-Banking Financial Sector

Overview

The aggregate asset size of NBF sector was Rs1,790 billion as of June 30, 2021, posting a growth of 32% as compared with assets of Rs1,361 billion as of June 30, 2020. The breakup of the total assets of the NBFC sector is given in schedule below:

Snapshot of NBFS, As of June 30, 2021

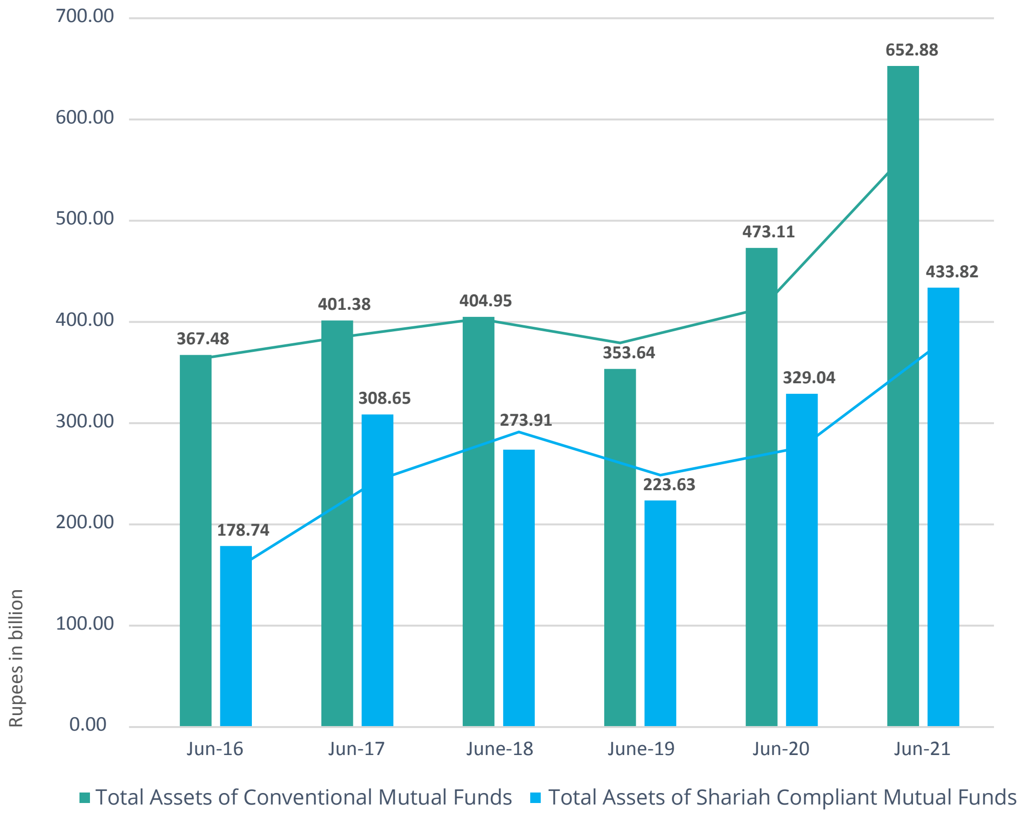


Non-Banking Financial Sector

Fund Management NBFCs

The Assets under Management (AUMs) of the mutual fund industry are the largest segment within NBF Sector with assets of Rs1,086,705 million as on June 30, 2021 (2020: Rs802,151 million), showing a growth of 35.5% on a yearly basis. Money Market funds dominated the AUMs of the mutual fund industry with the largest share of 42%, followed by Income Funds having share of 24%.

Total Assets of Mutual Funds



The other significant asset class in Fund Management NBFCs are the Investment Advisors. There are currently 18 Asset Management Companies (AMCs) which have been licensed to offer Investment Advisory Services with portfolio of Rs. 338 billion as on June 30, 2021,posting a growth of 18% on yearly basis.

The total assets of 19 pension funds managed by ten Pension Fund Managers (Voluntary Pension Systems) stood at Rs. 39,700 million as on June 30, 2021. This asset class also showed strong growth of 27% in the year under review. Further, another AMC has been allowed to act as Pension Fund Manager during the year.

As regards the Real Estate Investment Trusts (REITs), 3 new REIT Management Services licenses have been granted during the year, thus the number of RMCs has risen to 10. Previously, there was only one REIT Scheme i.e. Dolmen City REIT (DCR), launched by Arif Habib Dolmen REIT Management Company Limited. As of June 30, 2021, the fund size of DCR was Rs. 54,291 million marking a growth of 10.8 % over the previous year's figure. Following amendments to REIT Regulations, 2015 and prioritization of the sector by the Government, the capital market and the banking regulator; the SECP has approved registration of the first shariah compliant Developmental REIT Scheme during the year.

Another important area in the NBF Sector is Private Fund Management. In this context, Private Equity and Venture Capital (PE & VC) investment is poised to take off in Pakistan as the country enters a high growth phase, increasing funding needs for new profitable ideas in small and medium sized businesses. During the year, three new licenses to undertake PE & VC Fund Management Services were granted. The total asset size of the Private Funds sector stood at Rs 7,036 million as of June 30, 2021, compared to Rs. 6,779 million on June 2020, showing a moderate growth of 3.8%.

Lending NBFCs and Modarabas

Lending NBFCs are engaged in providing specialized financial services and complement the outreach of banking industry by mobilizing finance, especially in underserved segments. The total assets of companies licensed to undertake lending business, including investment finance companies (investment banks), leasing companies and non-bank microfinance companies, have increased to Rs. 211,409 million as on June 30, 2021, as compared to Rs. 197,358 million as on June 30, 2020, showing growth of 7%.

The following are the significant achievements with respect to Lending NBFCs during the year:

- 2 new licenses of investment finance services have been issued during the year;
- 1 new license has been issued for microfinance services; and
- After a long time, 3 new licenses of housing finance services have been issued under NBF regime.

All the Lending NBFCs have showed growth during the year except Leasing Companies wherein the total assets have decreased from Rs. 10,639 million as on June 30, 2020 to Rs. Rs. 5,488 million whereas number of Leasing Companies have also decreased from 7 to 5. The said decrease in Leasing Sector assets is due to merger of Sindh Leasing with Sindh Bank Ltd. and cancellation of license of Security Leasing Corporation Limited.

In terms of the legal framework, a number of amendments proposed in the Modaraba Rules, 1981 have been sent to Ministry of Finance and are being finalized. New Modaraba Regulations, 2021 have been notified on March 5, 2021. Proposed amendments to Modaraba Ordinance, 1980, were introduced in the National Assembly and sent to the Standing Committee on Finance and Revenue for concurrence. As of June 30, 2021, total number of Modaraba Companies registered with the SECP were 30. Out of these, 24 Modaraba Companies are active and managing Modarabas. There are 28 Modarabas in operation with total assets of Rs54.347 billion.

Regulatory Reforms

In view of the COVID-19 situation, the SECP has taken a number of measures to provide ease to Modaraba's customers not only in terms of repayment of facilities but also relaxed provisioning requirements for Modarabas till March, 2021. The Commission also modified the effective date for applicability of IFRS-9 for Modarabas till June 30, 2021.

Owing to COVID 19 pandemic situation, this year has been the most challenging one for the world's financial markets and has seriously hampered economic activities worldwide. Given this situation, SECP has worked with a cautious and balanced approach to promote ease of doing business and facilitate the NBF sector and its investors, customers and borrowers. To foster growth of the NBF Sector the SECP has instituted several regulatory reforms during the year, stated as under:

Amendments to Corporate Restructuring Companies Act, 2016
The SECP facilitated the process to introduce amendments to the Corporate Restructuring Companies Act, 2016 (the CRC Act) through the Corporate Restructuring Companies (Amendment) Ordnance, 2020 in July 07, 2020. The proposed amendments, inter alia, will facilitate the CRCs to operate efficiently, acquire the Non-Performing Assets (NPAs) from the Financial Institutions easily, raise funding for acquisition of NPAs and will facilitate revival of distressed economic assets by enabling the CRCs to reach compromise with the distressed entities promptly. The amendment bill has been placed before the joint session of National Assembly and the Senate for approval.

Amendments to Trust Acts, 2020
Newly introduced Trust Acts by Federal and Provincial governments did not recognize legal person as an author, trustee and beneficiary of a trust. Considering the adverse implications on mutual fund industry, the SECP proactively took up the issue with MO Directorate, FMU and Ministries of Industries Sindh. After deliberations with the stakeholders, amendments were notified in Sindh and KPK Trust Acts. SECP also worked simultaneously with PITB for development of online WTC portal on trusts capturing requisite information related to Specialized Trusts.

Amendments in Investment Framework of VPS
VPS framework has been revised, enabling pension fund managers to offer passive investment strategy to VPS investors.

Amendments to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003
The SECP, in consultation with the stakeholders, has approved amendments to the NBFC Rules, which have been placed for final approval by the Federal Government. Key areas covered through the amendments include introduction of perpetual license and abolishment of renewal of license after every 3 years, allowing promotes to apply for further extension of time to form an NBFC, rationalizing the information to be supplied for obtaining permission to form a NBFC, explicitly specifying requirement for NBFC to maintain minimum equity at all times, requiring NBFCs to change external auditor at least every 5 years, flexibility for grant of multiple licenses within the same group, allowing securities brokers to obtain investment advisory services, introducing provision of regulatory sandbox for testing of NBF products, enabling brokers to launch low cost ETF and enabling provision to grant Investment Advisory license either for portfolio management, ETF, advisory or any combination.

Uniformity of Fit and Proper Criteria Under NBFC Regulations
To rationalize fit and proper criteria and to standardize it across all regulated entities of SECP, amendments to NBFC Regulations, 2008 have been notified through SRO 581(I)/2021 dated May 20, 2021.

Non-Bank Microfinance Companies (NBMFCs)
Given the increasingly important role of NBMFC sector, the SECP, after broad-based consultation with stakeholders, has finalized amendments to NBFC Regulations. The amendments include requirements for adoption of robust governance system, an effective risk management regime as well as implementation of uniform and institutionalized ways of dealing with liquidity to help sustainable growth of the sector. The amendments will be notified after final approval of the Commission.

Leasing Companies
Considering the practical difficulties faced by leasing companies in underwriting leasing business due to implications of unfavourable tax laws, the SECP has allowed them to include vehicle financing to meet the requirement of investing at least 70% of total assets in leasing business under NBFC Regulations.

Promoting Self-Regulation in Mutual Fund Industry
SECP issued draft Self-Regulatory Organizations (Registration) Regulations, 2021 to promote establishment of Self-Regulatory Organizations (SROs), to inculcate self-discipline and collective responsibility amongst market players.

Regulatory Framework for Debt and Hybrid ETF
SECP has specified the framework for issuance of Debt and Hybrid ETFs. Debt ETFs allow investors to gain passive exposure to fixed income securities while Hybrid ETFs allow investment in an index, which has both debt and equity securities.

Allowing Individuals to Become Securities and Future Advisors
SECP notified amendments to the Securities and Futures Advisors (Licensing & Operations) Regulations, 2017 on January 15, 2021, allowing individuals to act as Securities and Futures Advisors as well as the Mutual Fund Distributors.

Market Development

Facilitation and Promotion of Housing Finance Companies (HFCs)
The SECP, in order to promote HFCs sector, arranged a series of webinars and bilateral sessions, in collaboration with World Bank Group, Pakistan Mortgage Refinance Company, Naya Pakistan Housing Development Authority and the State Bank of Pakistan. The SECP has also proposed including HFCs in Government's Markup Subsidy Scheme for housing finance in order to provide a level playing field and encourage formation of new HFCs.

Launch of First Shariah Compliant ETF
Approval granted for the launch of Pakistan's first Shariah compliant ETFs, providing investors with a new investment avenue.

Emlaak Financials
SECP steered the development of first mutual fund digital distribution platform for investment in mutual funds, namely "Emlaak Financials". The platform has been successfully launched and will encourage healthy competition among AMCs to offer best products to their customers.

Amendments in SBP's Foreign Exchange Manual
In order to channelize the investment from overseas Pakistanis towards Pakistani Capital Markets, SECP took up the matter with State Bank of Pakistan to allow the investment in units of funds quoted at Stock Exchange, including ETFs, REIT Funds and mutual funds through Special Convertible Rupee Accounts (SCRA) and RDA. So far through SCRA/ RDA, AMCs have managed to open 2,322 investor accounts with an amount of Rs. 199 million.

Revamping the REITs Regulatory Framework
REITs undoubtedly hold the potential to fundamentally reform Pakistan's real estate sector through better documentation and improved governance. However, the sector faces major challenges in the form of (i) limited supply as it competes with a relatively much less regulated real estate industry; (ii) a regulatory framework that lacked required flexibility and operational efficiency; and (iii) an inconsistent fiscal approach discouraging the required long-term investment horizon. In this backdrop, REIT Regulations, 2015 have been amended to move to disclosure-based issuance, reducing entry barriers and offering alternate investment avenues. Moreover, the recently amended regulations enable REITs to invest in real estate either directly or through investments in Special Purpose Companies that own real estate.

Revamping the Private Equity and Venture Capital Fund (PE & VC) Sector
The private fund industry faced some major hurdles that impeded it from achieving its true potential. To address these issues, the SECP has revamped to catalyse growth in the private funds industry by offering increased flexibility, efficiency and ease of doing business in line with international best practices. To enable PE&VC funds to harness long-term patient capital, pension funds have been allowed to invest up to 5% of net assets of equity sub-fund in units of SECP registered private equity and venture capital funds.

Outcome of Regulatory Reforms

Although the real impact will be more visible in the years to come, some of the positive outcomes are already visible, as highlighted below:

- 6 new licenses have been granted to Securities and Futures Advisors, taking the total number to 18.
- Approval has been granted to a Digital Payment solution namely "NPay" for corporate clients of an AMC, enabling corporate entities, including SMEs, to securely and efficiently make different payments including salary, tax, utility bills and vendors payments through a digital platform.
- 3 NBFCs have obtained PE & VC Fund Management Services licenses from the SECP, while 1 licensing application is currently under process.
- Apart from 3 new REIT management services licenses issued during the year, new RMC applications are in various stages of the licensing process and applications for registration of 2 new REIT Schemes were received. Out of these, approval for registration of one shariah compliant developmental REIT Scheme has already been granted.
- 6 new licenses have been issued for lending NBFCs, including first 3 HFCs.

Way Forward

- Efforts are underway for introducing a modernized, dedicated and consolidated parent law for the NBF sector, enabling comprehensive coverage of provisions.
- Digitizing the eco-system of Mutual Fund Sector including Digital Onboarding/Account Opening, Digital Distribution Platforms, Digital Trustee, Digital AMCs, Digital Investment Advisor and digitizing the mutual fund distributors.
- In line with the recommendations of the Pension and Annuity Working Group set up by the Commission, necessary work will be initiated for amendments in the VPS Rules, development of annuity market, utilization of life insurance distribution network and awareness of the voluntary pension schemes in the corporate and public sector.
- Through Emlaak Financials, the initiative of digital Distribution Platform, foreign investors will be incentivized to invest in mutual funds through Roshan Digital Account.
- To promote establishment of SRO in the mutual fund sector, the Mutual Fund Association of Pakistan (MUFAP) will be converted as a SRO.
- To work on initiatives like Social Impact Fund, Sector Specific Credit Rating for Microfinance and Non-profit to for profit transformation of NBMFCs.
- Enabling framework for Digital Peer-to-Peer Lending Platforms will be introduced with objective to increase financial inclusion for MSMEs by digitally connecting lenders with borrowers.
- High level coordination with Naya Pakistan Housing Development Authority, SBP, Ministry of Finance and other stakeholders will be ensured to include Housing Finance Companies and NBMFCs in Naya Pakistan Program, enabling NBFCs to access the government's subsidized funding for microfinance and low cost housing loans.

Insurance

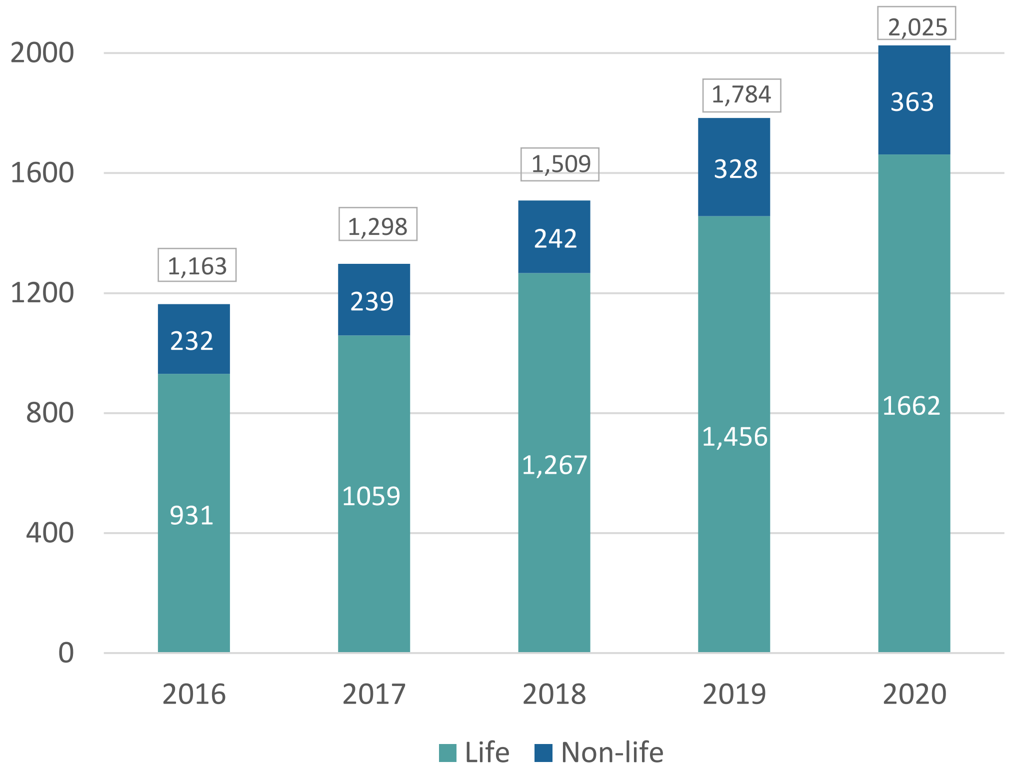
The insurance industry enables the economic growth by indemnifying losses of every size and nature across the country. Through risk transfer mechanism, it supports individuals as well as large industrial, commercial and trade ventures.

The current year has remained challenging for businesses and national economies around the world however, the insurance industry in Pakistan has been able to sustain its footing, despite the impact of Covid-19 pandemic. This can be partly attributed to adoption of alternate means of insurance distribution and policy administration i.e. digital modes.

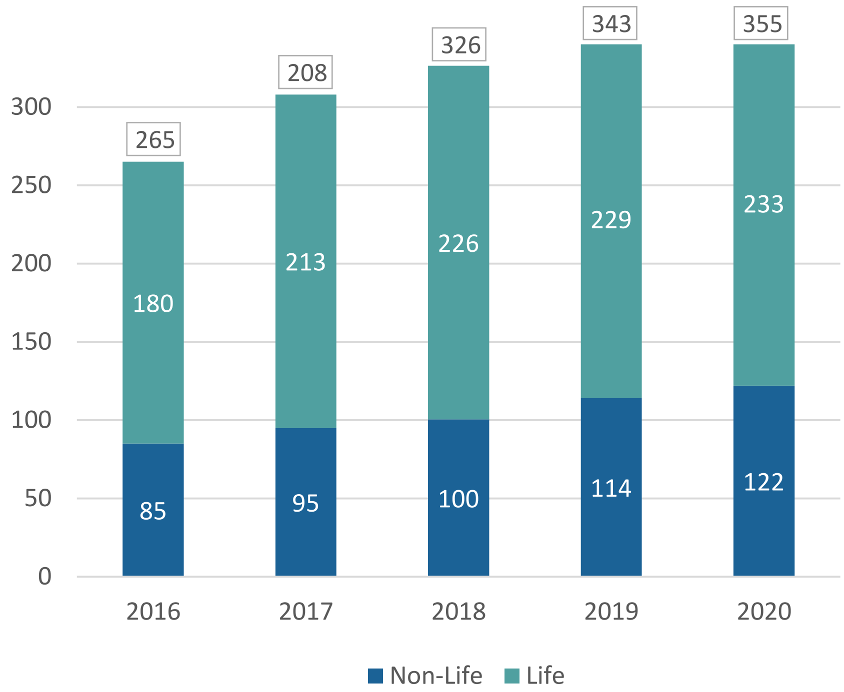
The premium revenue As of December 31, 2020, the total assets of the insurance industry stood at Rs1,987 billion, compared to Rs1,784 billion as of December 31, 2019, showing 11% increase in asset size. On the revenue side, during the year 2020, the industry has underwritten total direct gross written premium amounting to Rs347 billion, compared to Rs343 billion in 2019, demonstrating a growth of around 1% in GWP. The reinsurance premium underwritten by the only non-life reinsurance company in Pakistan, owned by the Government of Pakistan, amounted to Rs17.5 billion.

According to sector-wise analysis, the life insurance industry assets amount to Rs1,630 billion and non-life insurance sector owns assets amounting to Rs357 billion. On the revenue side, the life insurance sector has underwritten premium of Rs225 billion and non-life insurance sector has recorded premium amounting to Rs122.6 billion, during the year 2020.

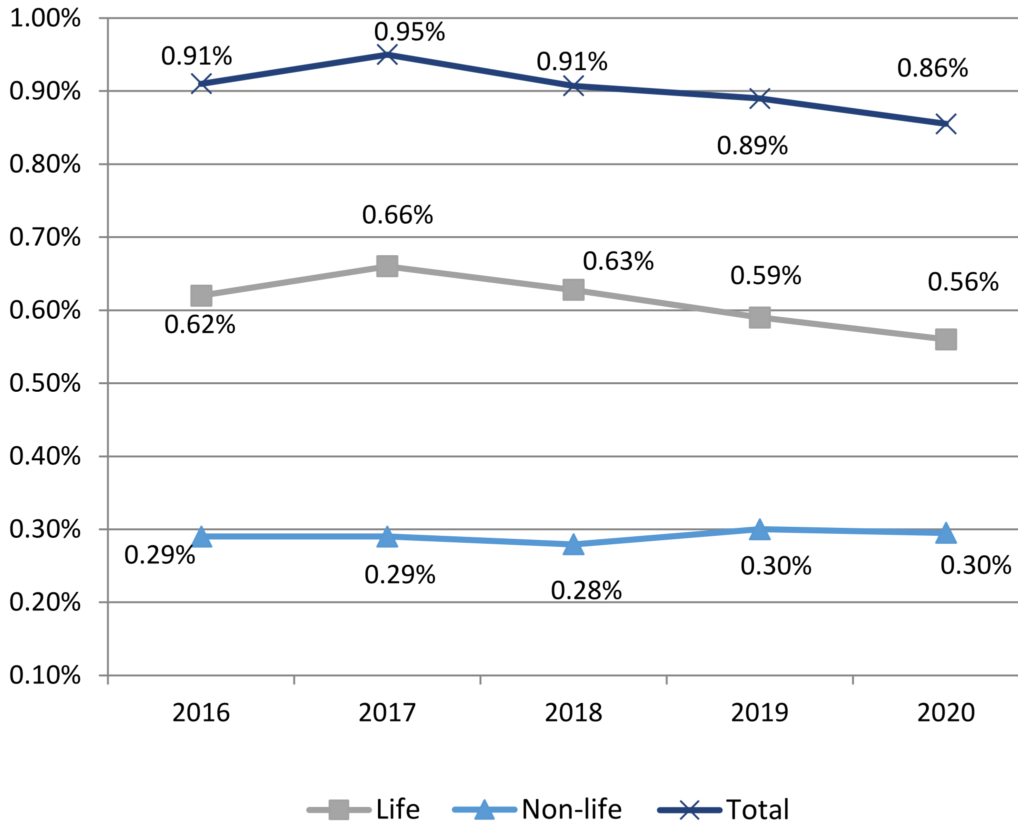
Insurance Industry Assets (Amount in Billion)



Life and Non-life Insurance Premium (Amount in Billion)



Insurance Penetration in Pakistan in Last Five Years



Regulatory/Developmental Reforms

During the year, various policy reforms have been undertaken, centered around the objective of strengthening the insurance regulatory framework, market development, consumer protection, and improved compliance with the Insurance Core Principles. The SECP has also embarked on introducing reforms aimed at curbing malpractices, and strengthening consumer protection regime. Through collaboration with professional bodies and industry stakeholders, key reforms and new initiatives, are stated below.

Draft Insurance Ordinance (Amendment) Bill, 2020

The Draft Insurance Ordinance (Amendment) Bill, 2021 has been formulated with the objective to introduce significant reforms in the primary insurance law. After extensive consultation with the industry stakeholders and obtaining necessary regulatory approvals, draft bill will be submitted to Ministry of Finance for initiating necessary legislative process.

Corporate Insurance Agents Regulations, 2020

Vide S.R.O. 1304(I)/2020 dated December 3, 2020, the SECP notified the Corporate Insurance Agents Regulations, 2020 which aim to provide comprehensive regulatory framework for business undertaken through corporate insurance agents (including banks) and technology-based distribution channels. The Regulations are designed to improve protection of policyholders' interests by addressing issues of market conduct and mis selling, among other areas. The Regulations have replaced the Bancassurance Regulations, 2015 and the SEC Directive on Corporate Insurance Agents (excluding Banks) and Technology Based Distribution Channels, 2017.

SEC Reinsurance Brokers Regulations, 2020

The SECP has formulated the SEC (Reinsurance Brokers) Regulations, 2020, for regulation of reinsurance brokers in Pakistan. The Regulations stipulate various regulatory requirements, such as minimum paid up capital, statutory deposit, professional indemnity insurance, the requirement to obtain registration with the SECP, filing and reporting, disclosure requirements and certain other provisions relating to conduct of reinsurance brokers. One of the key features of draft Regulations is to prohibit dual role of the licensed insurance brokers, by acting as direct insurance broker and reinsurance broker on the same risk. The requirement has been levied to ensure optimization of local risk retention in the non-life insurance industry and to avoid conflict of interest of insurance local brokers, along with their foreign affiliates in a single non-life insurance policy.

Amendment to Unit Linked Product and Fund Rules, 2015

Draft amendments to the Unit Linked Product and Fund Rules, 2015 has been prepared in accordance with the gaps identified in the existing regime. The proposed amendments include areas such as clarity on eligible investment avenues from the unit linked funds, parameters for investment from unit linked funds, exposure limits in particular instruments, broad categorization of unit linked funds and standardization of investment policies, guidance on risk categorization of unit linked funds based on asset allocation of the fund, among others. The proposed amendments also include requirements relating to sales process aiming at consumer protection, and will be published for eliciting public comments thereon.

Registration Regime for Dedicated Micro Insurers and Digital-Only Insurers

In-line with the SECP's agenda of promoting digitalization in financial services and enhancing financial inclusion, the registration regime is proposed to be introduced for entities desirous to transact insurance on digital-only basis and entities desirous to transact small ticket size insurance i.e. microinsurance through necessary amendments to the Insurance Rules, 2017. The proposed registration regime for digital-only insurer and dedicated micro insurers is aimed at enabling the small entities with vision and plan to innovate and serve the insurance market, to obtain registration with the SECP, while complying with lenient regulatory requirements in terms of minimum paid up capital and solvency requirement. The draft amendments will be published for eliciting public comments thereon.

Distribution of Insurance Products Through Digital Platforms

To enhance access and usage of financial services, the SECP has started consultation with the insurance industry association for distribution of insurance products through digital portal, already engaged in comparison and distribution of mutual funds products. The objective of expanding scope of this digital portal to include insurance products therein is to increase access of basic insurance protection to individuals who are tech savvy and are comfortable with online purchase, hence increasing financial inclusion.

Formation of National Crop Insurance Scheme (NCIS)
The task of formation of National Crop Insurance Scheme (NCIS) is part of National Financial Inclusion Strategy (NFIS) of the Government of Pakistan, for which, the Ministry of Commerce constituted the NCIS taskforce, chaired by the SECP. The NCIS taskforce, after extensive consultation with relevant stakeholders and conducting secondary research, finalized the report which recommends development of area yield index-based crop insurance scheme for loanee and non-loanee crop owners, to be administered through technology-based NCIS management system wherein claims are processed using hybrid method to be developed jointly by the SUPARCO and provincial agriculture departments i.e. by correlating the results of crop cutting experiments and satellite imagery.

To facilitate the small farmers, the NCIS is proposed to be fully subsidized for farmers with landholding of 5 acres and less, 50% for farmers with landholding 5 to 25 acres and for farmers with landholding above 25 acres, the cost is to be borne by the farmers. The indicative cost and estimated subsidy are also included therein. The report is submitted to Ministry of Finance for inward submission to Ministry of Commerce.

Licensing and Approvals

Life Insurance Products Approval
During the year, 126 new life insurance products and supplementary riders have been approved by the SECP, including innovative products with technology-based product features proposed to be distributed through digital platforms.

Registration of Insurance Companies
The SECP has registered the Postal Life Insurance Company Limited as life insurer in accordance with the applicable regulatory requirements. The registration of Postal Life Insurance under the applicable regulatory framework will pave the way for level playing field for all industry players, leading to fair competition, enhanced private sector participation in the insurance sector and increase in insurance penetration.

Licensing of Surveying Companies and Authorized Surveying Officers
During the period under review, 561 licenses of insurance surveying companies and authorized surveying officers have been issued, of which, 213 licenses were issued to the surveying companies and 348 licenses were issued to the Authorized Surveying Officers (ASOs).

Licensing of Insurance Brokers
During the year July, 2020 to June, 2021, the insurance broking license of 15 brokers was renewed, while fresh license to one (1) new insurance broker was issued.

Approval of Appointment of Directors and CEOs of Insurers
During the year July, 2020 to June, 2021, 175 approval for appointment of Directors and CEOs of insurance companies have been issued under Insurance Companies (Sound and Prudent Management) Regulations,2012. Sixteen (16) applications for appointment of directors and CEOs of insurance brokers were also processed and approved.

Approval of Facultative Reinsurance Placement Abroad
During the year, 1250 applications for placement of facultative reinsurance in the international reinsurance market have been processed and approved.

Way Forward

The regulatory reforms aimed to be introduced through Insurance Ordinance (Amendment) Bill, 2021 are expected to bring a paradigm shift in insurance sector regulation through creating conducive environment for market development, alignment of regulatory framework with international insurance supervisory standards, and strengthening the supervisory powers of SECP.

The draft regulatory framework for registration of digital-only insurers and dedicated microinsurers is expected to be finalised by FY2022-end. It will lower the barriers to entry, and enable small and tech-based entities to enter insurance market, thereby increasing insurance penetration in underserved markets.

With the objective to improve the market conduct and ensuring protection of policyholder's interest, regulatory requirements in relation to sales process, eligible investment avenues for unit linked funds, exposure limits in particular instruments such as debt, equity, real estate, collective investment schemes etc., and guidance on risk categorization of unit linked funds based on asset allocation of the fund, are proposed through amendment to Unit Linked Product and Fund Rules, 2015. The regulation of unit linked products is critical as the investment risk is borne by the policyholder in unit linked insurance products.

A road map is devised for development of risk-based capital regime and implementation of International Financial Reporting Standard -17 (Insurance Contracts). For ensuring smooth transition of IFRS-17 implementation, SECP has taken a phased manner approach covering gap analysis and the financial impact assessment which will be followed by system design and methodology and parallel run.

For development of risk-based capital regime, a Technical Working Group formed by SECP is working to develop a preliminary model for the regime to be completed by June 30, 2022. The adoption of risk-based capital regime will help each insurance company determine the required minimum capital in accordance with risks faced by it. The graduation of the insurance sector in Pakistan from factor-based capital requirements to risk-based capital requirements will help increase resilience of the insurance sector towards risks faced by it and improve its compliance with the international standards.

Islamic Finance

SECP regulates important elements of non-bank Islamic financial services industry, Islamic capital market and corporate sector. Islamic Finance Department (IFD) serves as a key pillar of SECP for ensuring Shariah compliance by coordinating and providing advisory in the areas, include Shariah compliant companies, Shariah compliant securities, Modarabas, Takaful operators and window Takaful operators, Islamic non-banking financial institutions, Islamic mutual and pension funds and Shariah compliant real estate investment trusts.

Major Highlights

- Under Shariah Governance Regulations, 2018, thus far, the SECP has issued certificates of Shariah compliance to seven companies in terms of the Shariah Governance Regulations, 2018, for the development of the Islamic financial capital market. In addition, SECP has issued certificates of Shariah compliance for sukuk issuances worth Rs280 billion, including the "Power Energy Sukuk-II" by Government of Pakistan worth Rs200 billion and "Pakistan International Airlines Corporations Limited-Sukuk" worth Rs20 billion.

  Under the Shariah Advisors Regulations, 2017, one new Shariah Advisor was registered with the SECP during the year. It is pertinent to mention that so far, 105 Shariah advisors have been registered with the SECP, including six private limited companies for providing Shariah advisory services.

- Under strategic alliance for promotion of Islamic finance, SECP successfully delivered a series of webinars for the promotion and development of Islamic finance in collaboration with IBA-Centre for excellence in Islamic Finance. So far, three webinars on Islamic Capital Market, Islamic Fintech and Islamic Regtech have been arranged. SECP has also delivered a session on Islamic finance to the students of Arid University Department of Management Sciences. IFD plans to hold an international summit on Islamic Finance in collaboration with IFSB, AAOIFI and CEIFs in the Month of June.

- SECP has been gradually adopting Accounting and Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to achieve a high degree of standardization in the operational and business practices of Islamic financial institutions. In this regard, SECP has issued draft notification for adoption of seven (7) additional AAOIFI Shariah Standards, while reviewing additional Shariah standards are being reviewed for inclusion in the draft.

- SECP is providing its regulatory support to spur growth of the Islamic finance industry through scaling up Islamic finance regulations to provide an enabling regulatory environment for the stakeholders falling under purview of SECP. In order to create ease of doing business, amendments in the Shariah Governance Regulations, 2018 are in process.

Way Forward

SECP in collaboration with all the stakeholders, will pursue infusing of Shariah principles in disruptive Fintech innovations (Smart contracts, Big Data and Blockchain technology), which will help in the financial inclusion and further enhance the customer experience for the Shariah sensitive investors. The department will also review RegTech solutions available for the supervision of Islamic financial industry, specifically in the areas of Shariah compliance and Shariah Audit.

SECP plans to work with stakeholders for increasing the volume of Takaful in Pakistan, by launching of Taktech (Takaful technology) to revolutionize the takaful sector, by complementing existing initiatives to enhance takaful coverage to the unserved segments of the population.

SECP will also explore the Asset Light Sukuk framework for the issuance of Asset Light Sukuks. For Green sukuks, IDF is already conducting research for creating regulatory framework, enabling issuance of green sukuks in Pakistan.

In consultation with Institute of Chartered Accountants of Pakistan (ICAP), IFD is also in the process of introducing a Shariah audit qualification for external Shariah auditors, under Shariah Governance Regulations, 2018. This step shall help in streamlining the external Shariah audit profession in Pakistan.

Anti-Money Laundering

Under the amended AML Act 2010, SECP is the regulatory authority for any reporting entity licensed or regulated by SECP, as well as the oversight body for the Institute of Chartered Accountants of Pakistan (ICAP), and the Institute of Cost and Management Accountants of Pakistan (ICMAP). In this role, SECP is committed to implementing the measures set out in the FATF standards in SECP's regulated financial sectors namely, stockbrokers, commodities brokers, NBFCs and Modarabas, Insurers, corporates and NPO's, from being used by money launderers and terrorist financiers for illicit purposes.

Regulatory Reforms

Following adoption of Pakistan Mutual Evaluation Report (MER) in October 2019, Pakistan was placed on enhanced (expedited) follow-up, and given a one-year action plan to address deficiencies identified in MER 2019. This necessitated major amendments in the Anti money Laundering Act 2010, which was amended in September 2020, to incorporate FATF recommendations. To align SECP regulations, directives and guidelines, FAQs etc. with the amended AML Act 2010, landmark progress has been made in the areas of regulatory reforms and guidance to SECP regulated entities. In this regard, the following documents were amended/updated:

1	SECP AML/CFT Regulations 2020
2	SECP AML/CFT/PF Guidelines 2020
3	AML Directive under AML Act 2010
4	Oversight of SRB Regulations
5	ICAP AML/CFT Regulations
6	ICMAP AML/CFT Regulations
7	Risk Based Supervisory Framework
8	Risk Based Supervisory Manual
9	SOPs for Sanction under ATA 1997
10	Frequently Asked Questions on AML/CFT regulations and allied matters

Amendments to the Companies Act, 2017 and allied regulations, including the Companies (General Provisions and Forms) Regulations, 2018, has been made to bridge the gaps pertaining to Beneficial Ownership regime in Pakistan. Moreover, guidelines and frequently asked questions have been issued to raise awareness among the stakeholders.

Outcomes of SECP Interventions

As a result of the regulatory reforms outlined above, accompanied by strategic supervisory actions and initiatives by AMLD aimed at improving compliance by SECP regulatees, Pakistan's efforts were acknowledged by FATF's International Co-operation Review Group (ICRG) assessors. Key achievements in technical compliance area include:

- Appointment of SECP as the Lead agency for Immediate Outcome 5 (IO5), dealing with preventing legal persons and arrangements from misuse for money laundering and terrorist financing.
- Recommendation 24, Transparency and beneficial ownership of legal persons has been re-rated as Largely Compliant (LC) from Partially Compliant (PC), following regulatory amendments and compliance initiatives by SECP.
- Recommendation 25, Transparency and beneficial ownership of legal arrangements has been re-rated as 'LC' from not compliant 'NC.' In this regard, SECP contributed heavily in the upgradation.

Following the second round of follow-up report (FUR) 2021, Pakistan had sought re-ratings on 26 Recommendations. In this regard, FATF Asia Pacific Group (APG) assessors' re-rated Pakistan as Largely Compliant/Compliant in 20 Recommendations relevant to SECP and its regulated entities. SECP made significant contributions during the assessment process that eventually led to the re-ratings. A comparison of such re-ratings post MER 2019 is provided below:

SECP Related Rating	MER 2019	FUR 2021
Compliant (C)	0	4
Largely Compliant (LC)	0	16
Partially Compliant (PC)	18	1
Not Compliant (NC)	3	0
Total	21	21

Key Improvements in Other Areas

- Implementation of automated screening solution with the help of United Nations Office on Drugs and Crime (UNODC) resulting in effective and timely compliance with United Nations Security Council Resolution (UNSCR) targeted financial sanctions by SECP regulated entities (REs).
- Sectoral risk assessments were updated in coordination with UNODP to inform and help improve REs risk assessment process resulting in effective risk management at entity level.
- SECP conducted a series of outreach and awareness raising sessions for SECP regulated sectors in coordination with UNODP. A total of 32 sessions including compliance forums t were attended by 1095 participants from SECP regulated sectors. Such sessions are very helpful in improving understanding of regulatory obligations and compliance by SECP REs.

Way Forward

To sustain the effectiveness of SECP's AML/CFT regulatory framework, our focus will be on continued improvement in compliance by SECP regulated entities, through risk-based supervision and related enforcement, leading to play its role for Pakistan's exit from the Grey list. Additionally, SECP shall continue to demonstrate that proportionate and dissuasive sanctions are applied to legal persons for non-compliance with requirements, to provide and maintain BO information.

Enforcement

The Commission is entrusted with the supervision of regulated sectors under its purview and enforcement of the laws and regulations under its ambit. An effective supervisory role entails timely detection of non-compliances, which when combined with an independent adjudication function serves as a dissuasive mechanism for delinquent market participants, ensuring accountability and transparency within the regulated sectors. The synergy in supervision and adjudication function is essential for implementing a balanced enforcement strategy and enabling the Commission to effectively discharge its responsibilities.

The Commission, for purposes of functional alignment, established a centralised Adjudication Division for all regulated sectors w.e.f. December 01, 2019 thereby consolidating all adjudication functions under various operating departments. In continuance of its focus on an integrated enforcement strategy, the Commission established a centralized Supervision Division w.e.f. March 31, 2021. This step is aimed at ensuring consistent, more transparent and focused regulatory oversight across sectors. Formation of dedicated Adjudication Division and Supervision Division, has enabled the Commission to achieve a milestone in restructuring of its core enforcement function, on a functional basis, allowing it to take remedial actions to ensure regulatory consistency across sectors and enhancing uniform decision making.

Implementation of such integrated enforcement plan is achievable by focused, risk-based identification of violations by Supervision Division complemented by independent and judicious adjudication function by Adjudication Division, enabling autonomy and operational efficiency in its functions.

As evident from results of the supervision activity, as well as the number of cases pursued within adjudication, the Commission has been able to achieve better compliance with its rules and regulations, and protected the rights of the minority shareholders by taking timely and effective supervisory actions, supplemented with proportionate and dissuasive adjudication orders.

Moving ahead, in the forthcoming year, Commission foresees thorough and well synced enforcement supported by offsite supervision, onsite inspections, investigations and adjudication functions. Priority areas continue to aim at transparent disclosure, informed decision making, accountability and protecting minority shareholders and general public. AML/CFT related compliance shall remain a key focus. Further, focus areas include strengthening of risk-based supervision including improving the risk matrix for identification of high-risk companies for prioritizing examination of such companies, taking appropriate measures against non-performing units, pursuing actions against non-filers and strengthening vigilant inspection and investigation functions.

The enforcement interventions undertaken during the year by the Commission are summarized below sector wise.

Capital Market

Supervision of markets is a continuous effort to detect market abuses and ensure fair market practices through timely detection of market abuses and malpractices and take remedial measures to protect the interest of all market participants. During the year, offsite surveillance resulted in recommendations of adjudication proceedings for non-disclosure or inappropriate disclosure of material information while cases of market abuses were also identified for further investigation. Offsite market surveillance was complemented by onsite investigations, to further probe the suspected market abuses. Outcomes of offsite and onsite supervision of market activities are given in tabular form below:

Actions	Number of cases
Cases recommended for investigation	12
Prohibitory Orders	3
Investigations completed/in process	12
Cases referred for criminal prosecution	2

Onsite supervision is the key tool to monitor activities of brokers to ensure regulatory compliance. Inspection/ and investigation of the brokers is conducted regularly on the basis of indicators of risk assessment criteria inclusive of financial strength, compliance level and business performance. A significant number of inspection/investigations were conducted during the year leading to compliance directives or referrals for adjudication depending upon the nature of regulatory non-compliance. A summary of onsite activity and consequent actions is given below:

Nature of actions	Number of cases
Onsite inspections/investigations conducted/in process	105
Warnings Issued	35

A summary of orders issued and penalties imposed, during the year for non-compliances with requirements pertaining to securities market laws and AML laws, are summarized in table given below:

Particulars	Cases Assessed	SCN issued	Orders	Amount of penalty (Rs)
Action against non-compliances	50	29	19	644,235,000
AML related non-compliances	131	89	114	36,820,000

Corporate Sector

Offsite review of financial statements and other statutory returns is the primary tool for supervision of the corporate sector. Onsite inspections or investigations are conducted if necessitated by the offsite review, on the basis of recommendation of the Registrar or a complaint by an eligible shareholder. Major non-compliances or irregularities observed during the offsite or onsite reviews are referred for adjudication while warning/ compliance directives are issued for minor non-compliances by the respective supervision functions.

Segment-wise overview of supervision and enforcement activity in respect of the corporate sector are given below:

Listed Companies

During the year, 10 intended acquirers made public announcements of intention for acquiring more than 30% voting shares of eight listed companies. The takeover process was completed in four cases, while public announcements of intention were withdrawn in four cases and the rest of the cases are in process. Adjudication proceedings have been recommended in nine cases for alleged violation of the Securities Act, 2015.

In addition to the above, trading activities of beneficial owners of listed companies are also monitored through regular review of returns filed by companies, their beneficial owners and trading data of PSX. During the year, 1,497 returns received from companies and their beneficial owners were reviewed resulting into recommendation of adjudication proceedings in 10 cases for alleged violations of the Securities Act, 2015.

An overview of the offsite and onsite activity of listed companies and consequent actions is given hereunder:

Nature of actions	Number of cases
Offsite reviews of annual financial statements	272
Onsite inspections/investigations concluded/ in process	22
Warnings issued/directives	36

Enforcement actions initiated and penalties imposed during the year on listed companies for non-compliance with the applicable legal and regulatory framework are summarized below:

Particulars	Total Cases Assessed	SCN issued	Orders	Amount of penalty (Rs)
Listed companies	288	142	208	22,292,850

Unlisted Companies

After establishment of the Supervision Division, risk-based supervision of unlisted companies has been initiated where Ppublic sector companies and other companies involving direct or indirect public interest have been prioritized for supervision. , while with respect to private companies or privately held public companies, where risk for filing untrue financial statements with SECP is directly emanating from tax frauds, liaison with FBR will be considered.

The primary focus of onsite supervision of unlisted companies during the year was compliance with recently introduced requirements relating to maintenance of beneficial ownership records by companies and reported casecases of unauthorized activitiesy or misconduct.

An overview of offsite and onsite activities in respect of listed unlisted companies carried out during the year and consequent actions is summarized below in tabular form;

Nature of actions	Number of cases
Offsite reviews of annual financial statements	128
Onsite inspections/investigations conducted/in process	54

Enforcement actions initiated and penalties imposed during the year on unlisted companies for non-compliance with the applicable legal and regulatory framework are summarized in table given below. It also includes enforcement actions taken for non-compliances reported by Registry function of the Commission:

Particulars	Adjudication Recommendation Notes (ARNs) Processed	SCN issued	Orders	Amount of penalty (Rs)
Unlisted companies	8,442	2,760	2,552	5,041,033,000

Non-Banking Finance Companies (NBFCs)

Periodic reviews are based on published information, data received electronically through Specialized Companies Returns System (SCRS) on monthly basis. A sector wise summary of offsite reviews of NBFCs conducted during the year is given below:

Offsite Reviews	Number of reviews
Asset Management Companies	19
Investment advisors	4
REIT management companies	3
Private equity	3
Investment banks	7
Non-bank microfinance companies	21
Leasing companies	2
Modarabas	15
Total	74

Besides full scope offsite reviews, thematic reviews of entire NBFC & Modaraba sector were also carried out. The primary objective was to review sector wise compliance with minimum equity requirements, exposure limits etc.

In case of deviation from applicable regulatory requirements, major non-compliances are referred for adjudication proceedings, while for minor non-compliances, warning/ compliance letters are issued by the supervision.

Risk-based periodic on-site inspection or investigations is also an important feature of the supervision of NBFCs in order to carry out an in-depth assessment of compliance status with applicable requirements. Like offsite supervision, onsite activity is concluded by recommendations for adjudication proceedings for major violations or issuance of compliance directives or warnings for minor noncompliance. Onsite activity of NBFCs carried out during the year along with consequent outcomes is summarized below;

Nature of actions	Number of cases
Inspections/Investigations conducted/in process	15
Warnings/compliance letters issued	163

Adjudication proceedings for legal and regulatory non-compliances related to laws pertaining to NBFCs, Modarabas and AML regulatory regime as initiated and concluded during the year are summarized below:

Particulars	Cases Assessed	SCN issued	Orders	Amount of penalty (Rs)
Action against non-compliances	57	4	5	500,000
AML related non-compliances	56	39	14	3,390,000

Insurance

The objective of integrated enforcement is to ensure compliance with the applicable laws and supervisory framework, oversee the stability of the insurance sector and protect the interest of policyholders/ shareholders. Supervision of Insurance sector is actively pursued through offsite review of financial statements and other statutory returns supplemented by risk-based periodic inspections/investigations. Penal action on violations detected during the off-site and onsite reviews are referred for adjudication while warning letters or directions for compliance are issued by the supervision depending upon the nature of the default.

The synopsis of output generated from the offsite and onsite supervision of Insurance sector during the period under review is presented below:

Nature of actions	Number of cases
Offsite reviews conducted	67
Onsite inspections/investigations conducted/in process	25
Warning/Advice/Directions issued	124

Enforcement actions initiated and penalties imposed for non-compliances with laws and regulations applicable on insurance sector are summarized in table given below:

Particulars	Cases Assessed	SCN issued	Orders	Amount of penalty (Rs)
Action against non-compliances	37	21	54	20,920,000
AML related non-compliances	20	15	5	5,675,000

International Relations

The International Relations Department (IRD) has been mandated to facilitate SECP's international regulatory and enforcement cooperation, by working with international standard setting bodies, international financial institutions and counterparts in other jurisdictions. The department has also been entrusted to advance SECP's agenda to enhance outreach regarding new and upcoming developments through the Innovation Office. Key achievements of the department for the current year are:

SECP's Work at IOSCO

During the past year, considering the turmoil triggered in financial sector due to the COVID-19 pandemic, IOSCO Secretariat was very active in engaging all IOSCO members through arranging a series of virtual meetings to share experiences and policy responses adopted by member states in managing the fallout of the pandemic. In addition to being on the Board, SECP is also member of various committees, and through these interactions, SECP was able to keep abreast of key policy developments adopted by other jurisdictions to mitigate risks to market integrity, financial stability and investor protection.

Bilateral Matters

In line with Federal Government's mission to improve diplomatic relations with regional countries, the SECP has submitted proposals for signing of bilateral MoUs on cooperation and exchange of information with securities regulators of Uzbekistan, Abu Dhabi, Saudi Arabia and Philippines, which are currently being routed through diplomatic channels. At present, SECP has entered into bilateral MoUs with 15 foreign counterparts, to promote regulatory cooperation and assistance.

Financial Market Development Program (FMDP)

The SECP achieved timely compliances with the policy conditions of Sub Program I, of the Asian Development Bank's Financial Market Development Program (FMDP) and subsequently $300 million policy-based loan was approved on 28th of September 2020. Presently, studies under technical assistance of subprogram-I are in process and policy conditions of sub-program II are being implemented.

Activities of Innovation Office

As a part of its efforts to promote start-ups and create awareness about new developments, the SECP, under the banner of its Innovation Office is carrying out webinars in collaboration with the National Incubation Centre (NIC). During the year, 5 sessions have been arranged on topics ranging from creating awareness about new concepts such as equity crowd funding & digital assets, changes in regulatory framework such as introduction of growth enterprise board, and steps taken to encourage venture capital and private equity segment in Pakistan.

Way Forward

In the context of changes in global regulatory landscape due to the pandemic, SECP will continue to play an active role in IOSCO's priority areas for 2021-22, chiefly concerning risks exacerbated by the COVID-19 pandemic. Moreover, in view of the positive response received to the activities of Innovation office, going forward, the scope of this initiative will be expanded to offer support/advice to individuals, entities and start-ups, attempting to bring innovative solutions to the market. In addition, the SECP will continue to coordinate with relevant agencies for implementation of capital market development plan and future roadmap for 2020-27.

Digital Transformation

The role of the Information Systems & Technology Division (IS&TD) of the SECP, like all other progressive organizations, has grown significantly in importance over the years and has assumed new responsibilities, that go far beyond the technical service role that once defined the position. Historically adopting a reactive approach, by matching technology to an identified business need, the approach has shifted to being proactive, looking at how new and emerging technologies may be applied in support of the SECP's mission, vision and values.

Regulatory Approach
Digital transformation connects technology, data science, devices and business strategy, leading to improvements in a business process or customer experience. Thus, for any organization, digitalization has become critical part of its business process, operations and value chain. Accordingly, the SECP has instituted various reforms to develop a comprehensive and coherent industry environment, to promote a conducive and technologically driven environment in Pakistan.

LEAP – Leading Efficiency Through Automation Prowess
The SECP Policy Board directed the Commission to initiate work on automation. As a result, SECP has embarked upon its journey of digital transformation, end-to-end process automation to improve service quality, promote transparency and enable user friendly environment for all its regulatees. The project named LEAP (Leading Efficiency through Automation Prowess) entails launch of STR, which has been completed, replacement of corporate registry system, introduction of XBRL and end-to-end process automation. LEAP will also play a significant role in improving Ease of Doing Business ranking for Pakistan.

LEAP project is funded through Financial Inclusion Programme (FIP) funds, a grant by UK Government to Government of Pakistan. Department for International Development (DFID) has endorsed Karandaaz as its lead implementation partner for execution of LEAP project for SECP.

Secured Transaction Registry (STR)
Secured Transaction Registry (STR), the first milestone under LEAP, was launched in 2020. This initiative aims to improve access to finance for SMEs through use of their movable assets as collateral, besides providing a mechanism for protection of secured creditors.

STR is an electronic database in which financial institutions can record charges or security interests created by unincorporated entities or individuals on their movable assets. Any person may search for existing security interests on movable assets of Entities (other than companies) registered in the STR. STR is a critical enabling factor of Pakistan's National Financial Inclusion Strategy (NFIS). This initiative is expected to usher a new era of SME growth, and is in line with the government's vision and reforms agenda for a vibrant and sound economy. So far, more than 138,000 charges have been registered by financial institutions since its inception.

Automation Initiatives
SECP has made significant progress in the area of automation. Multiple processes have now been digitalized, which were previously handled manually. Information was stored in excel sheets with no immediate reporting available for tracking and monitoring progress against each process. Additionally, these proceedings were all paper based which resulted in delays and inefficiencies.

During the fiscal year 2020-21, SECP took major digital reforms including initiatives such as automation of Fleet Management System, Promotion Management System, Salary Slip Development, Internal Requisition System and enhancements in the Recruitment Management System. With the implementation of these breakthrough initiatives, significant cost savings in terms of paper usage has been made and has brought efficiency in SECPs human resources routine operations by the automation of mundane tasks.

Facilitation Through Digitalization
Form 45 - Ultimate Beneficial Ownership (UBO) for Companies - SECP in its continuation of efforts to promote the beneficial ownership transparency has launched a facility on its eService portal for online submission of statutory Form-45, required to submit the declaration of UBO. This is another forward step to promote the beneficial ownership transparency. This measure will facilitate companies in filing the declaration with ease and reduce the cost of filing.

Application Programming Interfaces (APIs) Development - In order to promote swift coordination amongst the government entities and to further facilitate the users, SECP has interlinked multiple platforms through integrations and development of APIs during the fiscal year. These initiatives include integration with Pakistan MNP Database (PMD) to validate the CNIC and mobile number combination for users registering with SECP and development of APIs for data sharing with Board of Investment (BoI) for their portal being used by companies to register for specialized economic zones. These initiatives will ensure swift correspondence between different entities and speed up the process by reducing human interventions.

Business Process Re-engineering (BPR)
BPR activity is a business management strategy which involves the radical redesign of the core business processes to achieve dramatic improvements in productivity, turn-around time (TAT) and quality. The BPR activity for process optimization was undertaken in which list of business processes was reviewed and finalized in consultation with business departments and the list consisting of 245 business processes was categorized in seven top level categories namely, company registration, licensing, filing and compliance, supervision and enforcement, adjudication, regulatory approvals and administrative and support functions.

As part of the overall plan for the implementation of new Company Registry, solution has been prepared covering four of the seven top level categories (registration, filing, licensing and regulatory approvals). Simultaneously, BPR is in progress to prepare documents for integrated Supervision and Enforcement functions, essentially covering workflow automation for Offsite monitoring, Inspection, Enquiries and Investigation, Adjudication and Litigation functions along with internal review and approval for working papers, internal/external correspondence, archival of records, procurement and travel desk operations.

Brokers Liquidity and Assets Segregation Returns System (BLASRS)
The Capital Market Reforms Committee contemplated that automation of brokers' information is key to the brokers supervision. Since the liquidity crises becomes the primary cause of brokers' default, leading to unauthorized use of clients' securities. Therefore, it was suggested to develop a Brokers Liquidity and Asset Segregation Review System ("BLASRS"), which will generate early warning signals based on certain risk parameters, like assets segregation ratios, liquidity ratios, pledge concentration, profitability ratios etc. The said system will evaluate the data, giving scores against thresholds and assign overall risk categorization such as High, Medium and Low, automatically to each broker.

Revamp of Litigation Management System
SECP regularly finds itself engaged in litigation, sometimes by initiating cases in exercise of the powers conferred upon it by various laws it administers, but more often in defending cases brought against it. This is necessary not only to safeguard SECPs legitimate enforcement actions but also to maintain and enhance its image as a competent regulator.
The in-house system development work is in progress to and the first version is expected to be completed till the end of the financial year, which will streamline the process for management of the litigation data, and liaison between departments, to ensure a well-coordinated response to all litigation matters.

Employees Contributory Funds Returns System
The system is expected to be deployed till the end of the financial year 2020-21, it will help in maintaining and reporting of data relating to investments made by companies out of Employees Contributory funds (investments in listed securities).

Financial Data Analysis and Risk Profiling for Listed Companies
An integrated Supervision System for offsite monitoring, based on best-in-class templates and processes has been conceived, and the procurement process is expected to be completed in FY 2021-22. The system will provide standardized financial information, promptly available for assessment and reporting by relevant officers.

ISO 27001 Recognition

ISO/IEC 27001 is the most widely used information security standard prepared and published by the International Organization for Standardization (ISO) that assesses implementation, monitoring, maintenance, and continuous improvement of Information Security Management System (ISMS). SECP has been awarded the ISO certification for its enterprise ISO/IEC 27001:2013 ISMS against its phase-01, phase-02 and phase-03 scope. This certification testifies that the information handling and security has been managed in accordance with global standards and protocols.

Way Forward

The SECP has introduced multiple reforms that have greatly improved efficiency of processes, which have been duly reflected in country's global rankings. Moving forward, SECP aims to further strengthen its processes, capabilities and systems, both internally and externally, to bring in efficiency and reduce turnaround times by introducing various measures in close consultation with the concerned stakeholders. Some of the major milestones that SECP IS&TD will be initiating work replacement of current Company Registry system, to facilitate users. In addition, focus will remain on optimization of business processes and re-engineer them for better efficiency and productivity.

Statistics

Chart 1: Incorporation Trend

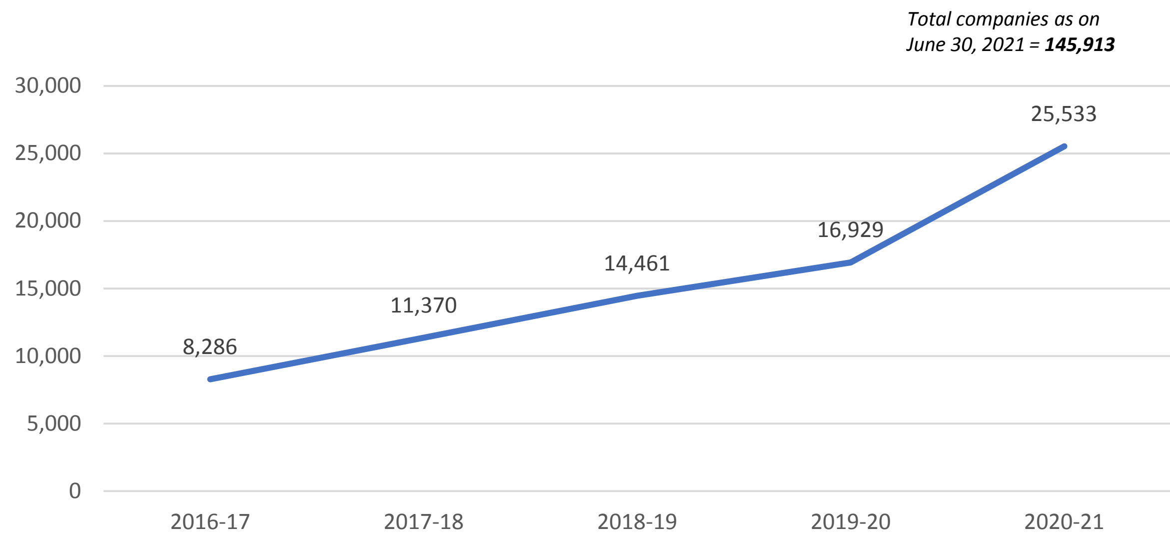


Table 1: Number and Types of Companies as on 30-June-2021

Type of Companies	Total
Public Listed Companies	514
Public Unlisted Companies	2,791
Private Companies	118,343
Single Member Companies	20,397
Total Companies Limited by Shares	**142,045**
Associations under section 42	987
Companies under section 43	73
Trade Organizations	329
Public Unlimited Companies	1
Private Unlimited Companies	1
Foreign Companies	1,074
Companies under section 505(1)-(d)	2
Limited Liability Partnership	1,371
Total Companies as on 30-June-2021	**145,883**

Table 2: Paid-up Capital Wise Break Up as of June 30, 2021

Paid up Capital	Public Listed Companies	Public Unlisted Companies	Private Companies	Single Member Companies	Grand Total	Percentage
Paid-up capital up to Rs100,000	0	500	55,693	15,977	72,170	51%
Paid-up capital from Rs100,001 to 500000	1	317	18,343	2,250	20,911	15%
Paid-up capital from Rs500,001 to 1000000	0	156	13,594	1,336	15,086	11%
Paid-up capital from Rs1,000,001 to 10000000	9	388	22,681	707	23,785	17%
Paid-up capital from Rs10,000,001 to 100,000,000	97	688	6,185	112	7,082	5%
Paid-up capital from Rs100,000,001 to 500,000,000	166	422	1,365	13	1,966	1%
Paid-up capital from Rs500,000,001 to1,000,000,000	73	106	267	1	447	0%
Paid-up capital from Rs1,000,000,001 to above	168	214	215	1	598	0%
Grand Total	**514**	**2,791**	**118,343**	**20,397**	**142,045**	**100%**

Table 3: Sector-Wise Distribution of New Incorporations

Sector	Number of companies incorporated during 2020-21
Trading	4063
Information technology	3092
Real estate development	1794
Construction	2698
Ecommerce	950
Food and beverages	1070
Services	2320
Corporate agricultural farming	846
Textile	621
Pharmaceutical	566
Healthcare	470
Miscellaneous / others	503
Marketing and advertisement	565
Engineering	586
Communications	299
Education	739
Auto and allied	318
Transport	404
Chemical	382
Fuel and energy	307
Lodging	291
Cables and electric goods	244
Cosmetics and toiletries	239

Power generation	221
Steel and allied	151
Mining and quarrying	358
Broadcasting and telecasting	213
Paper and board	195
Wood and wood products	95
Arts and culture	72
Footwear	35
Leather and tanneries	41
Glass and ceramics	29
Synthetic and rayon	27
Vanaspati and allied	24
Ginning	10
Tobacco	18
Finance and banking	18
Cement	14
Insurance	16
Sugar and allied	6
Sport goods	27
Carpets and rugs	8
Tourism	594

Table 4: Sector-Wise Distribution of Section 42 Companies

Sector	Number of Companies Registered During FY2020-21	Total Number of Section 42 Companies as on June 30, 2021
Commerce	7	159
Art	2	18
Science	5	20
Religion	0	8
Sports	1	22
Social Services	3	319
Charity	7	28
Education	7	93
Health	2	54
Import/Export	0	6
Others	29	457
TOTAL	63	1184

Table 5: Foreign Companies' Data

Country of Origin	Count of Name of the Company	Country of Origin	Count of Name of the Company
China	179	France	25
USA	149	Italy	24
UK	125	Australia	20
Hong Kong	45	Malaysia	20
UAE	43	Netherland Antilles	19
Korea South	40	Saudi Arabia	19
Turkey	38	Switzerland	19
Japan	37	Netherlands	15
Singapore	37	Others	11
Germany	32	Panama	10
Canada	31	Others	140

Chart 2: Provincial Distribution of New Incorporations

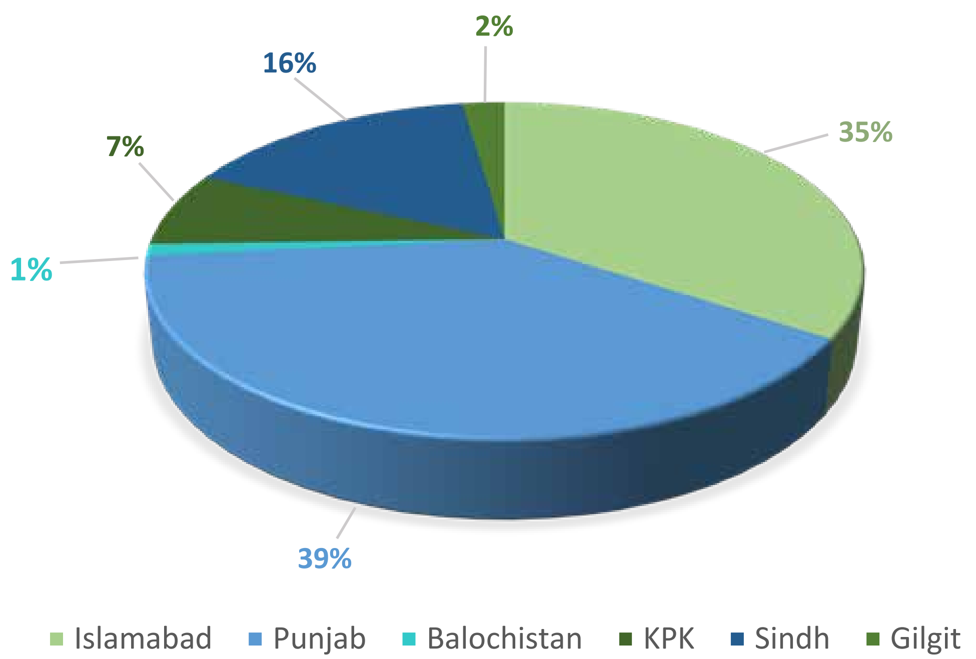
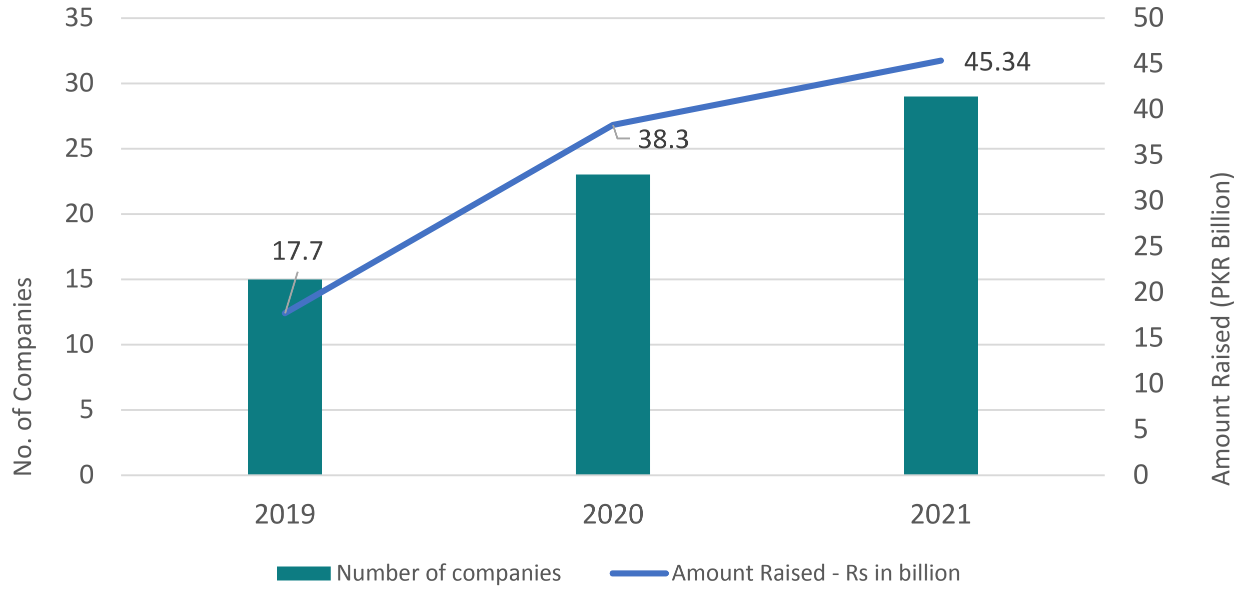


Chart 3: Further Issues - Number of Companies & and Amount Raised



Insurance Sector
Chart 4: Assets of Insurance Industry

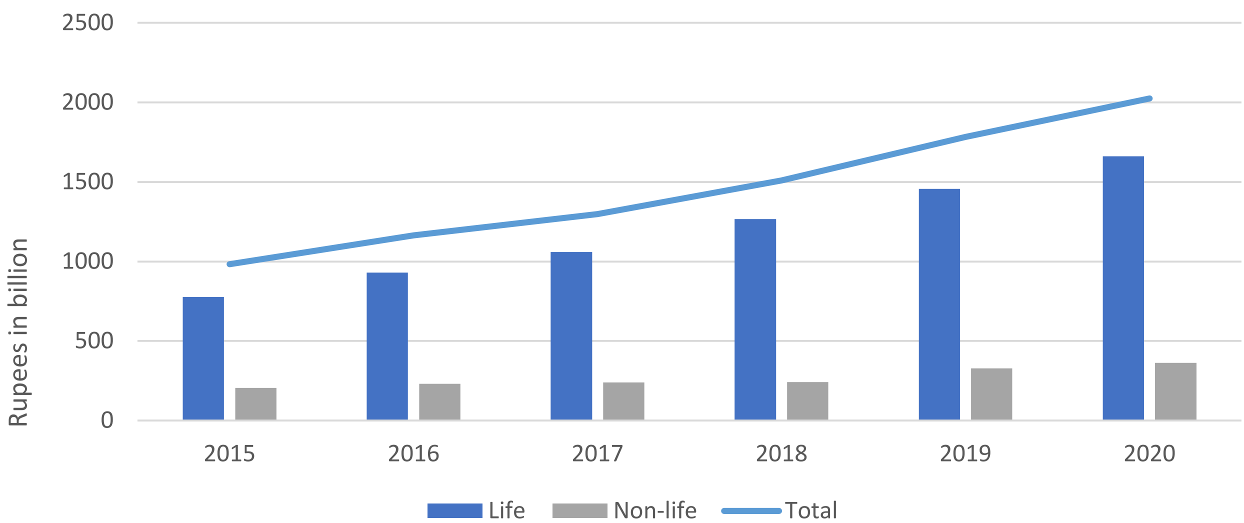


Chart 5: Life Insurance Vs Non-Life Insurance Distribution

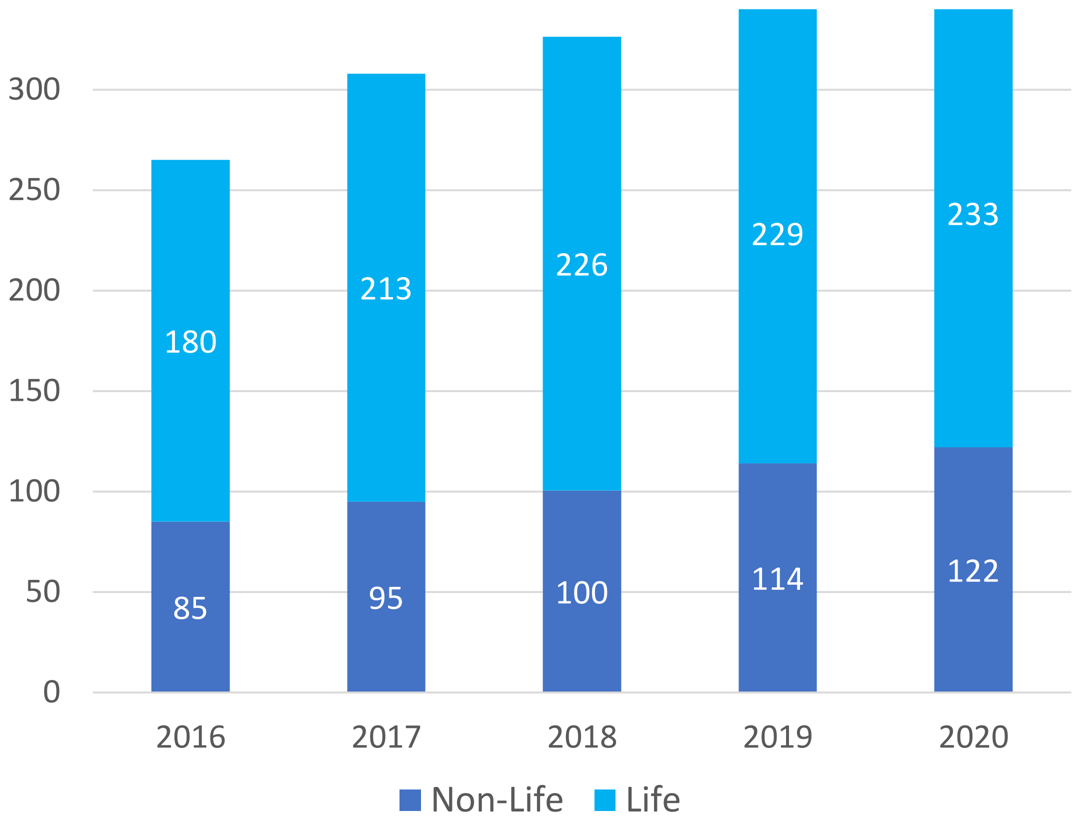
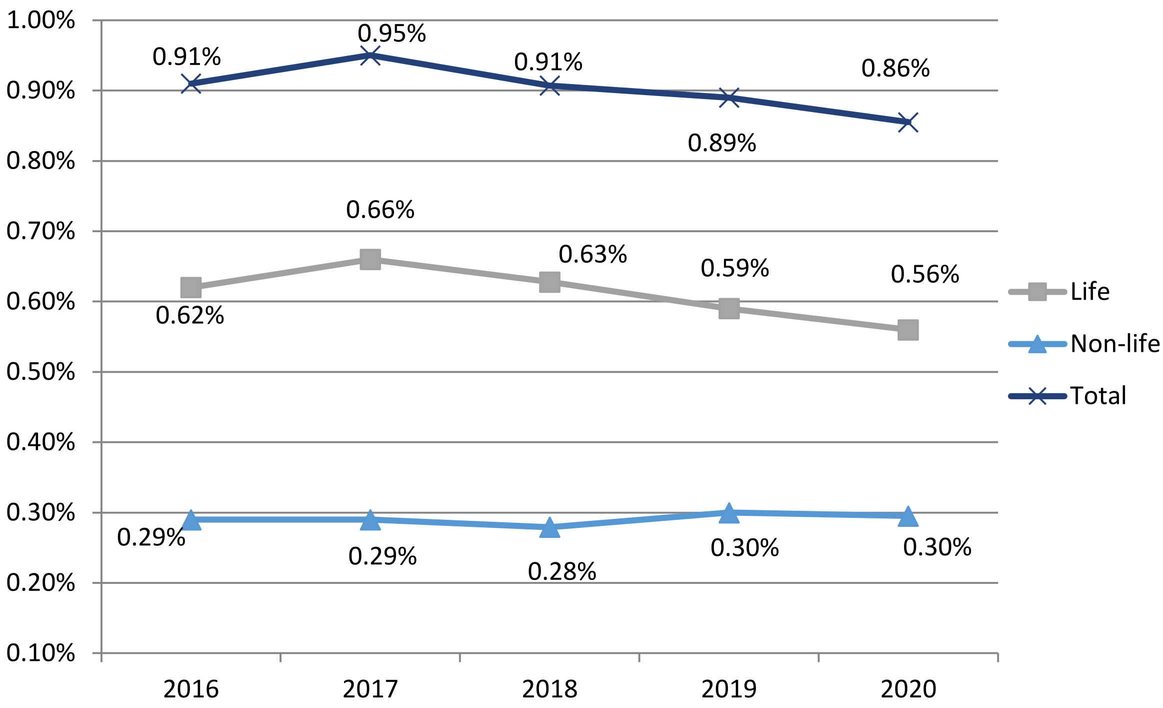


Chart 6: Insurance Penetration



Capital Markets

Chart 7: Debt Issues and Funds Raised

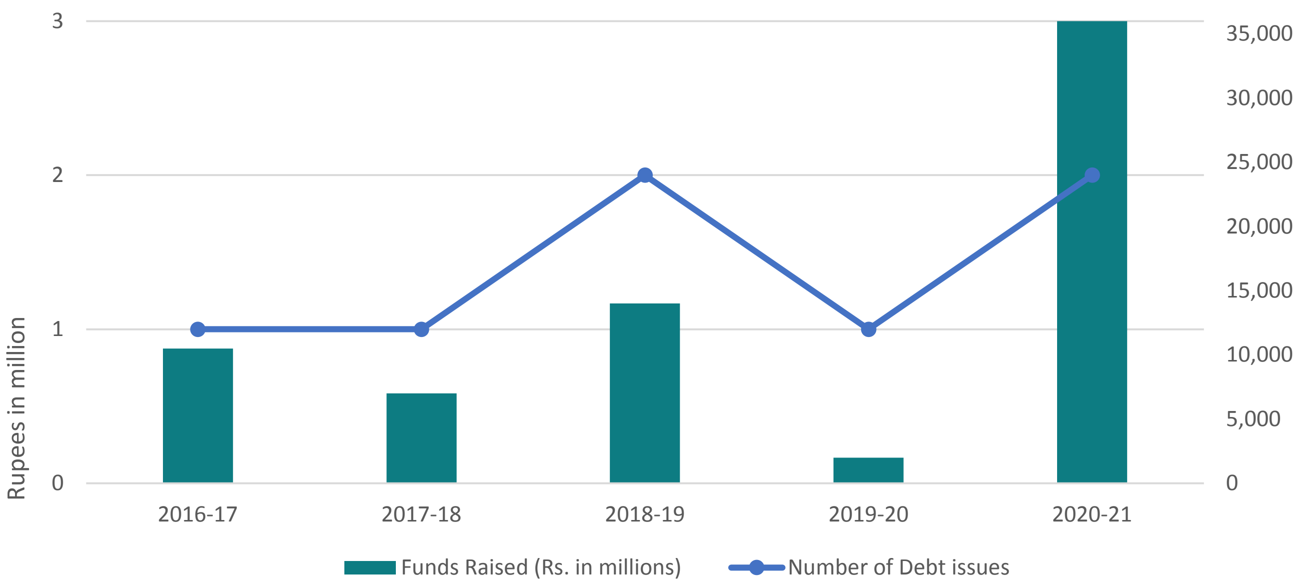
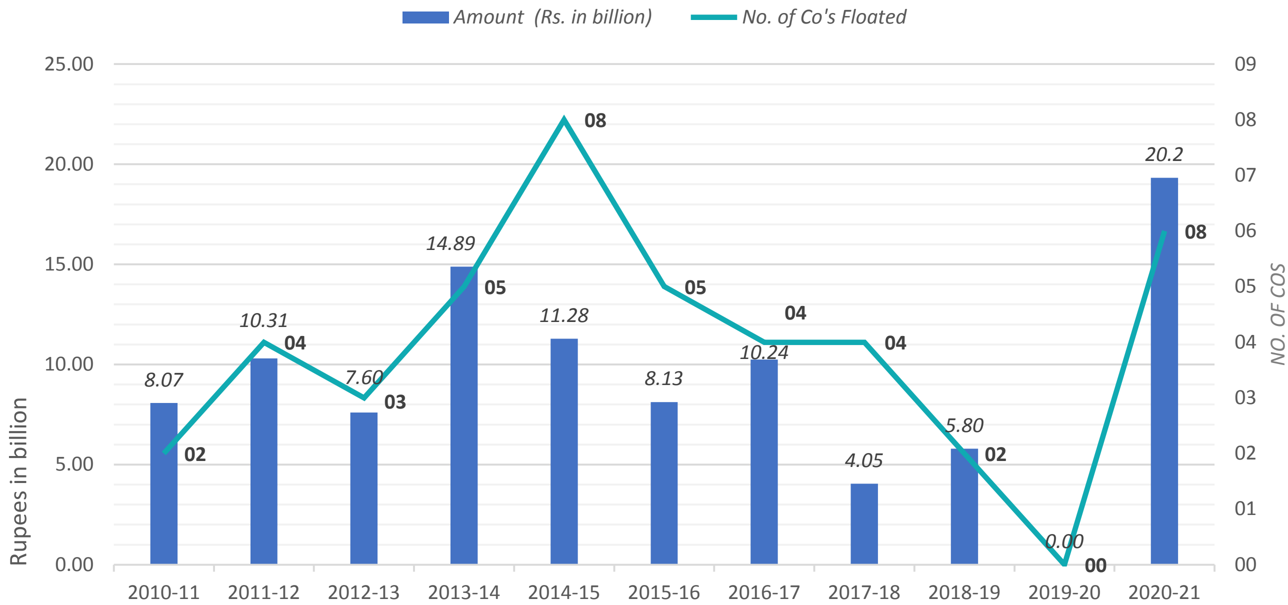


Chart 8: Equity IPOs Over Last Decade



NBFC Sector
Chart 9: Snapshot of NBFS, as of June 30, 2021

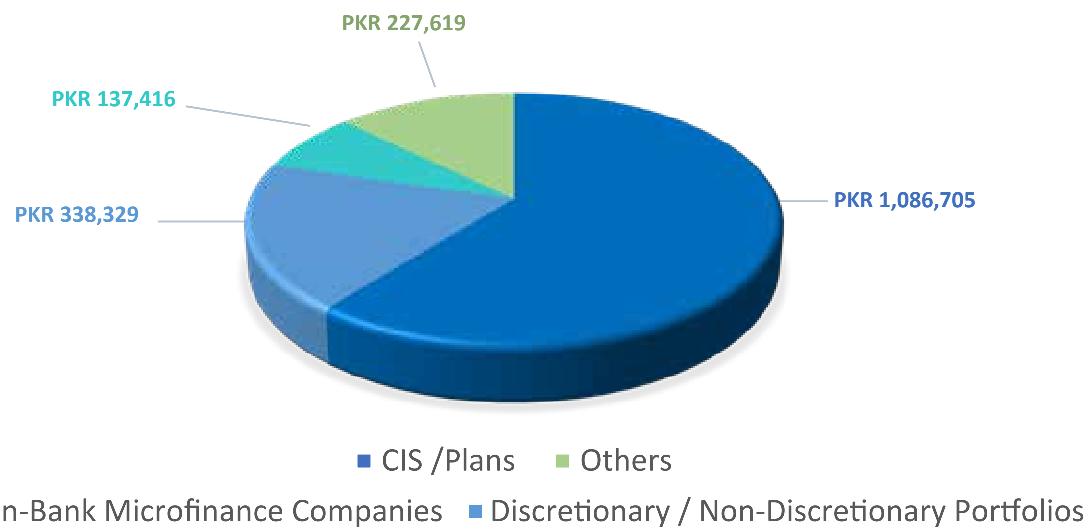


Table 6: Asset Size of NBFC Sector

Description	No. of entities	Assets (Rs millions)	Total deposits / Investments (Rs. millions)
CIS/Plans	282	1,086,705	1,086,705
AMC / IAs/PFM	25	45,459	-
Discretionary / Non-Discretionary Portfolios	-	338,329	-
Pension Funds	19	39,700	39,700
REIT Management Companies	10	6,974	-
Real Estate Investment Trust	1	54,291	54,291
Private Equity Companies	7	166	-
Private Equity & Venture Capital Funds	5	7,036	-
Investment Finance Companies (Inv. Banks)	13	68,505	4,911
Non-Bank Microfinance Companies	27	137,416	-
Leasing Companies	5	5,488	285
Housing Finance Companies*	3	-	-
Total		**1,790,069**	**1,185,891**

Chart 10: Category-Wise Distribution of Mutual Funds

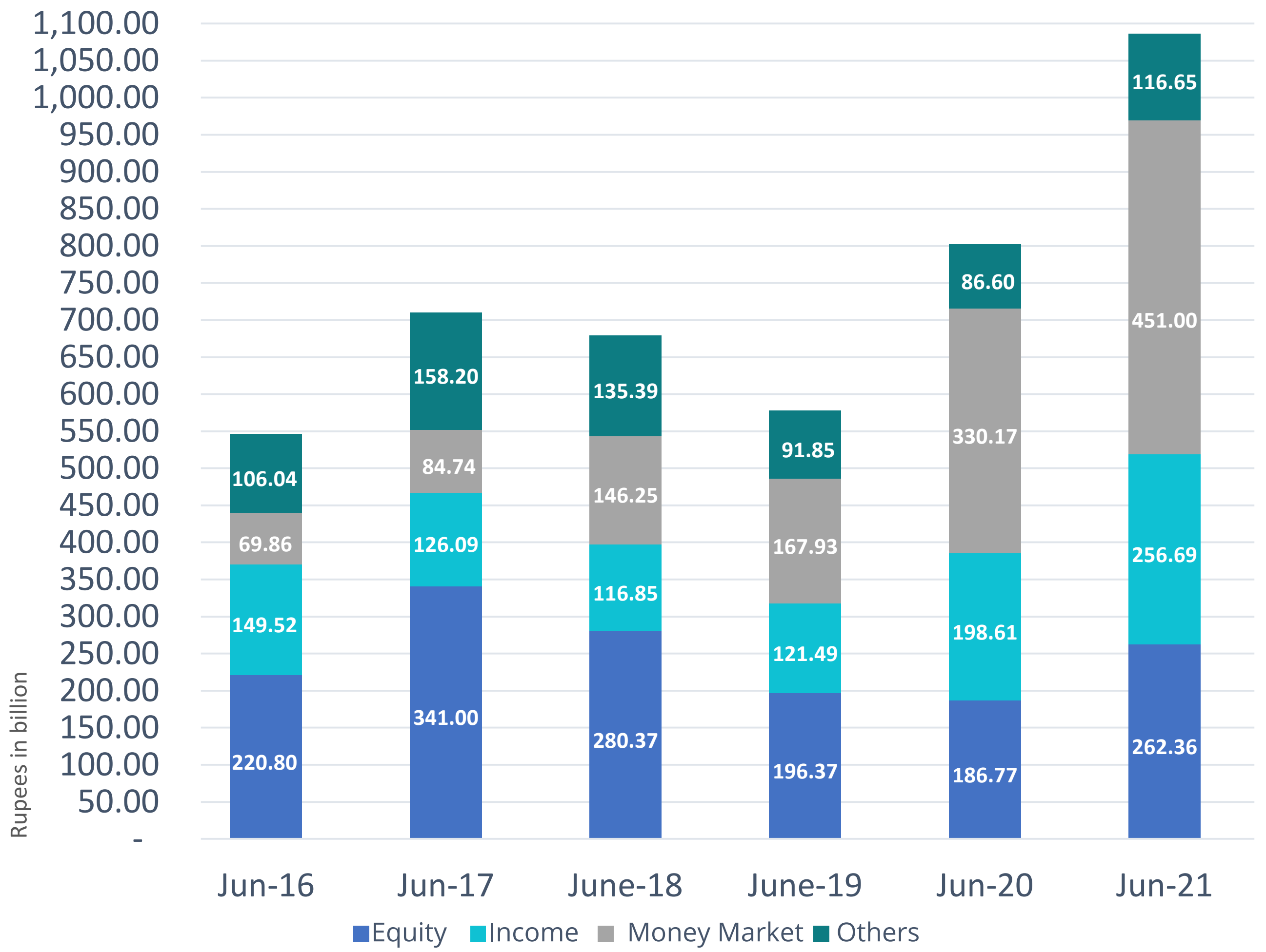
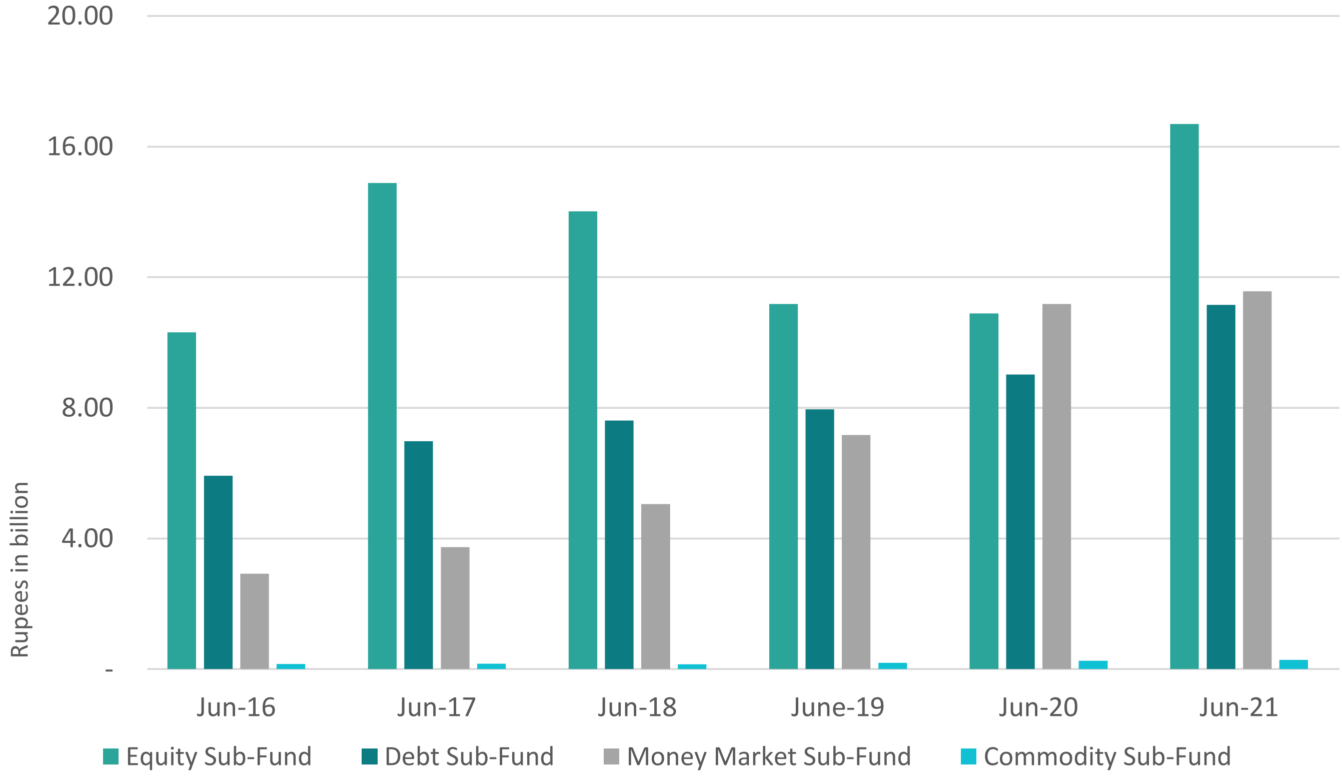


Chart 11: Assets of Pension Funds



Financial Statements

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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Independent Auditors' Report

To the Federal Government of Pakistan

Opinion

We have audited the financial statements of Securities and Exchange Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2021, statement of comprehensive income, statement of changes in funds, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at June 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Commission for the year ended June 30, 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 11, 2020.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

THE POWER OF BEING UNDERSTOOD
AUDIT I TAX I CONSULTING

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Karachi : 92 (21) 3565 5975-6
Faisalabad : 92 (41) 854 1165/854 1965
Quetta : 92 (81) 282 9809
Peshawar : 92 (91) 527 8310/527 7205
Kabul : 93 (799) 058155

RSM Avais Hyder Liaquat Nouman is a member of the RSM network and trades as RSM. RSM is the trading name used by the membersof the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdicion

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

RSM

We communicate with those charged with governance regarding, among maters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Syed Naveed Abbas.

RSM Rsm Avais Hyder Liaquat Nauman

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Islamabad
Date: 03 NOV 2021

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 (Rs. '000')	2020 (Rs. '000')
NON-CURRENT ASSETS			
Property and equipment	5	596,413	441,216
Right to use of assets	6	531,864	155,757
Intangible assets	7	134,277	187,918
Intangibles under development	8	18,724	10,257
Long term investments	9	1,037,058	1,028,647
Loans and advances	10	349,040	344,702
Deferred tax asset	11	-	61,696
		2,667,376	2,230,193
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	12	237,092	376,310
Short term investments	13	2,121,474	2,178,658
Accrued profit on long term investment		26,668	26,751
Cash and bank balances	14	293,330	54,670
		2,678,564	2,636,389
CURRENT LIABILITIES			
Current maturity of lease liabilities	15	(180,056)	(198,825)
Accrued and other liabilities	16	(1,205,255)	(1,325,276)
Payable to Federal Consolidated Fund	17	(2,222)	(185)
		(1,387,533)	(1,524,286)
NET CURRENT ASSETS		**1,291,031**	**1,112,103**
NON-CURRENT LIABILITIES			
Provision for compensated absences	18	(206,535)	(182,927)
Liability against assets subject to finance lease	19	(352,008)	(24,463)
		(558,543)	(207,390)
NET ASSETS		**3,399,864**	**3,134,906**
REPRESENTED BY:			
SECP Funds		**3,399,864**	**3,134,906**
CONTINGENCIES AND COMMITMENTS	20	-	-

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN **COMMISSIONER**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30,2021

	Note	2021 (Rs. '000')	2020 (Rs. '000')
INCOME			
Fees and other recoveries	21	3,240,262	2,858,732
Other income	22	303,379	429,002
		3,543,641	3,287,734
EXPENDITURE			
Salaries, allowances and other benefits	23	2,279,621	2,057,229
Operating expenses	24	421,082	467,815
Depreciation on tangible fixed assets	5	122,233	122,890
Amortization on right to use of assets	6	181,562	170,797
Amortization of intangible assets	7	60,105	8,181
		3,064,603	2,826,912
EXCESS OF INCOME OVER EXPENDITURE BEFORE TAX		**479,038**	**460,822**
TAXATION	25	243,497	131,321
EXCESS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		235,541	329,501
OTHER COMPREHENSIVE INCOME			
Items which will not be subsequently reclassified to incmoe and expenditure			
Actuarial gains/(losses) on staff retirement funds		29,417	(74,026)
Related tax effect		-	21,468
Total other comprehensive income - net of tax		29,417	(52,558)
TOTAL COMPREHENSIVE INCOME		**264,958**	**276,943**

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Assets acquisition reserve	Reserve for loan to employees	Accumulated comprehensive income	Total
	(Rupees in thousand)			
Balance at 01 July 2019	2,137,963	720,000	-	2,857,963
Comprehensive income:				
Excess of income over expenditure	-	-	329,501	329,501
Other comprehensive loss	-	-	(52,558)	(52,558)
	-	-	276,943	276,943
Total comprehensive income	-	-	276,943	276,943
Transferred to asset acquisition reserve	276,943	-	(276,943)	-
Balance at 30 June 2020	**2,414,906**	**720,000**	**-**	**3,134,906**
Comprehensive income:				
Excess of income over expenditure	-	-	235,541	235,541
Other comprehensive loss	-	-	29,417	29,417
	-	-	264,958	264,958
Total comprehensive income	-	-	264,958	264,958
Transferred to asset acquisition reserve	264,958	-	(264,958)	-
Balance at 30 June 2021	**2,679,864**	**720,000**	**-**	**3,399,864**

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021 (Rs. '000')	2020 (Rs. '000')
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of income over expenditure before tax	479,038	460,822
Adjustments for:		
- Depreciation on tangible assets	122,233	122,890
- Amortization on right to use of asset	181,562	170,797
- Amortization on intangibles	60,105	8,181
- Amortization of long term investment	(8,328)	(4,315)
- Provision for pension	36,388	46,918
- Provision for gratuity	89,454	93,718
- Provision for compensated absences	38,567	23,252
- Discounting / (unwinding of) discount on long term loans to employees - net	(4,406)	(34,749)
- Interest income on short term investments	(164,216)	(350,747)
- Interest income on long term investments	(94,500)	(30,119)
- Discounting on operating lease liabilities	12,919	30,562
- Gain on sale of property and equipment	(16,260)	(4,871)
	253,518	71,517
Operating income before working capital changes	732,556	532,339
Decrease/(increase) in advances, deposits, prepayments and other receivables	137,681	(177,430)
Increase in accrued and other liabilities	4,294	197,938
	874,531	552,847
Contribution to pension fund	(119,776)	(131,886)
Contribution to gratuity fund	(103,260)	(33,868)
Compensated absences encashed	(14,959)	(10,973)
Interest paid on leased liabilities	(12,919)	(30,562)
Interest received on short term investments	259,934	207,659
Interest received on long term investments	94,500	3,368
Taxes paid	(177,968)	(96,408)
	(74,448)	(92,670)
Increase in loans and advances	68	(47,080)
Increase/(decrease) in payable to Federal Consolidated Fund	2,037	(1,293)
Net cash generated from operating activities	**802,188**	**411,804**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(300,489)	(116,794)
Transfers from capital work-in-progress	1,333	-
Purchase of intangible assets - net	(14,931)	(203,707)
Right to use of assets-additions	(557,669)	(526,554)
Proceeds from sale of property and equipment	37,986	13,052
Short term investments - net	(38,534)	1,037,287
Long term investments	-	(1,024,332)
Net cash used in investing activities	**(872,304)**	**(621,048)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance leased liabilites-net	308,776	223,288
Net cash generated from financing activities	308,776	223,288
Net increase in cash and cash equivalents	**238,660**	**14,044**
CASH AND CASH EQUIVALENTS		
At beginning of the year	54,670	40,626
Cash and cash equivalents at end of the year	**293,330**	**54,670**

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1 LEGAL STATUS AND OPERATIONS

Securities and Exchange Commission of Pakistan (the Commission) was established as a body corporate under the Securities and Exchange Commission of Pakistan Act, 1997 (the Act) for the beneficial regulation of capital markets, superintendence and control of corporate entities and for matters connected therewith and incidental thereto. The Commission operates through Head office located in Islamabad, southern regional office located in Karachi, eight companies registration offices and two facilitation offices across Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified by the Commission to companies in Pakistan. However, to follow the best practices the Commission has adopted IFRS as a framework for preparation of the financial statements.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are carried at fair value and employee retirement benefit funds including staff compensated absences which are carried at their present values as determined under the provisions of IAS-19, "Employee Benefits".

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Commission's functional and presentation currency. Amounts presented in Pakistani Rupees have been rounded off to nearest thousand, unless otherwise indicated.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with IFRS, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in the ensuing paragraphs:

a) Income taxes

The Commission takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the Commission's view differs from the view taken by the income tax department at the assessment stage and where the Commission considers that its view on items is of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

b) Staff retirement benefits

The present value of the obligation for gratuity, pension and compensated absences depends on a number of factors that are determined on actuarial basis using number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity, pension and compensated absences.

c) Property and equipment and Intangible Assets

The Commission reviews the useful life and residual values of property and equipment and intangible assets on regular basis. Further, the Commission reviews the value of the assets for possible impairment. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment or intangible assets with a corresponding affect on the depreciation/ amortization charge and impairment.

d) Provision against loans, advances and receivables

The Commission applies the general approach for calculating a lifetime expected credit losses for its loans, advances, deposits and other receivables recognized. The life time expected credit loss is determined at least annually. However, an assessment is made at each reporting date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying value.

e) Impairment

The carrying amounts of the Commission's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment loss. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on the depreciation/ amortization charge and impairment.

f) Fair value of investments

The fair value of Fair value through other comprehensive income (FVTOCI) and Fair value through profit or loss (FVTPL) investments are determined by reference to market interest rate at the reporting date. Any change in the estimate might effect carrying amount of investments with corresponding effect in statement of comprehensive income.

3 NEW AND REVISED STANDARDS AND INTERPETATIONS

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year but are not relevant

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IAS 1 – Presentation of financial statements (Amendments)
- IFRS 3 – Business combinations', definition of a business (Amendment)
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors' , definition of materiality (Amendments)
- IFRS 9 - Financial Instruments' , Interest rate benchmark reform (Amendment)
- IFRS 7 - Financial Instruments-Disclosures , Interest rate benchmark reform (Amendment)
- IFRS 16 – Leases', COVID-19 related rent concessions (Amendment)

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	Effective date (annual reporting periods beginning on or after)
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 1, 2022
Cost of Fulfilling an Onerous Contracts – Amendments to IAS 37	January 1, 2022
Updating a Reference to the Conceptual Framework – Amendments to IFRS	January 1, 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Amended by Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

The Commission anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation / disclosures. The Commission is in the process of assessing the impact of changes laid down by these standards on its financial statements

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Commission, for the purpose of their applicability to companies in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

The following interpretations issued by the IASB have been waived of by the Commission:

IFRIC 4 Determining whether an arrangement contains lease
IFRIC 12 Service concession arrangements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress which are stated at cost less impairment, if any.

Depreciation is calculated on straight line method to write off the depreciable amount of each asset over its estimated useful life. Rates of depreciation are specified in note 5 to the financial statements. Depreciation on additions during the year is charged from the date of acquisition or the date the asset is available for use and on disposals up to the date of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major repairs and improvements are capitalized and the assets so replaced, if any, are derecognized. Gains and losses on disposal of property and equipment are included in other income.

4.2 Intangibles

Intangible assets are stated at cost less accumulated amortization and impairment except for intangible assets under development which are stated at cost less impairment, if any. Amortization on intangible assets having finite useful life is calculated on straight-line basis at rates specified in note 7 to the financial statements.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

4.3 Impairment of non-financial assets

The carrying amounts of the Commission's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income.

4.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the date of issue of financial statements.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

4.5 Employee benefits

Defined contribution plan

The Commission maintains an approved defined contributory provident fund for its employees eligible for this benefit plan as per policies of the Commission. The Commission's contribution to defined contributory Provident Fund at the rate of 10% of basic salary is charged to the statement of comprehensive income for the year.

Defined benefit plans

The Commission operates following defined benefit plans for its eligible employees:

(i) Funded Gratuity and Pension Scheme

Defined benefit funded gratuity and pension scheme for all eligible employees who complete qualifying period of service and age.

These funds are administrated by trustees. Annual contribution of the gratuity and pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 16 of financial statements.

Charge for the year is recognized in statement of comprehensive income. Actuarial gain or losses arising on actuarial valuation are recorded directly in other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long term return on plan assets and the discount rates used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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(ii) Compensated absences

The Commission recognizes provision for compensated absences payable to employees at the time of retirement/ termination of service.

The provision for compensated absences is determined on the basis of actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on June 30, 2021.

4.6 Deferred grant

Grants that compensates the Commission for expenses incurred are recognized in statement of comprehensive income as grant income on a systematic basis in the periods in which the related expenses are recognized. Grants related to assets are deducted from cost of related assets.

4.7 Revenue recognition

The Commission recognizes fee revenue on the basis of performance obligation satisfied i.e when the services are rendered. Revenue is recognized as per the rates specified in respective rules, regulations, circulars or statutes.

All penalties/ fines recovered are not credited to income of the Commission. Rather, these are credited to and deposited in the Federal Consolidated Fund as required by the SECP Act 1997.

Income on bank deposits and short term investments are recognized using the effective yield method.

4.8 Investment in associate

These are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Commission's share of the net assets of the associate. The statement of comprehensive income reflects the Commission's share of the results of the operations of the associate. Where there has been a change recognized in the other comprehensive income of the associate, the Commission recognizes its share of any change in its statement of comprehensive income.

The Commission determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Commission calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the same in the statement of other comprehensive income.

4.9 Long term loans to employees

Long term loans are initially recognized at fair value. After initial recognition, these are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses recognized in profit and loss account when the assets are derecognised, as well through the EIR amortization process over the term of the loan. The EIR amortization is provision for discount on loans to employees in the statement of comprehensive income.

4.10 Contract liabilities

Under IFRS 15 "Revenue from Contracts with Customers", obligation to transfer goods or services to a customer for which the Commission has received consideration or an amount of consideration is due from the customer is presented as contract liability. The contract liabilities of the Commission comprises of advance payments received from customers in accordance with the forms of various statues/ regulations as described in note 16.3 to the financial statements.

4.11 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount can be made.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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4.12 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Commission becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Commission losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of comprehensive income.

(i) Financial assets

Classification

Effective July 1, 2018, the Commission classifies its financial assets in the following measurement categories:

a) Amortized cost where the effective interest rate method will apply;
b) fair value through profit or loss;
c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of expenditure and income and other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Commission has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Commission reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Commission commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Commission has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Commission measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of expenditure and income and other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Commission's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Commission classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of expenditure and income and other comprehensive income and presented in other other income/ (charges). Impairment losses are presented as separate line item in the statement of comprehensive income.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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(b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognized in statement of expenditure and income and other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of expenditure and income and other comprehensive income and recognized in other income/ (charges). Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the statement of comprehensive income.

c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of expenditure and income and other comprehensive income and presented net within other other income/ (charges) in the period in which it arises.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Commission has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Commission has transferred substantially all the risks and rewards of the asset, or (b) the Commission has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Commission's continuing involvement in the asset.

In that case, the Commission also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Commission has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Commission could be required to repay.

Impairment of financial assets

The Commission assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Advances, deposits and other receivables
- Short term investments
- Cash and bank balances
- Loans and advances

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Simplified approach for advances, deposits and other receivables

The Commission recognises life time ECL on advances, deposits and other receivables, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Advances, deposits and other receivables are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Commission's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Recognition of loss allowance

The Commission recognizes an impairment gain or loss in the statement of expenditure and income and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Financial liabilities

Classification, initial recognition and subsequent measurement

The Commission classifies its financial liabilities in the following categories:

- at fair value through profit or loss;
- other financial liabilities

The Commission determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Commission has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Amortised cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of comprehensive income, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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(iii) Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Commission has a legally enforceable right to set off the recognized amounts, and the Commission either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Commission or the counter party.

4.13 Receivables

Receivable are stated initially at the fair value, subsequent to initial recognition these are stated at their fair value as reduced by appropriate loss allowance account. The Commission recognizes an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Known impaired receivables are written off.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprised of cash in hand and bank balances.

4.15 Accrued and other liabillities

These are initially recognized at the fair value. Subsequent to the initial recognition these are stated at their amortized cost.

4.16 Reserves

The amount appropriated to reserves for loan to employees and asset acquisition reserves is made as per approval of the Policy Board.

4.17 LEASES

Right to use of Assets

The Commission recognises a right-of-use asset and a lease liability at the lease commencement date. The right-to-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortised using the straight-line method at rate define in note 6 from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the market rate. Generally, the Commission uses market rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;
b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c. amounts expected to be payable under a residual value guarantee; and
d. the exercise price under a purchase option that the Commission is reasonably certain to exercise, lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Commission is reasonably certain not to terminate early.

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4.17 LEASES (Continue…)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Commission's estimate of the amount expected to be payable under a residual value guarantee, or if the Commission changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero

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5. PROPERTY AND EQUIPMENT

	Leasehold Land	Buildings	Leasehold Improvements	Office Equipments	Other Equipments	Computers	Furniture & Fixture	Vehicles	SubTotal	CWIP	Total
	(Rupees in thousand)										
Cost											
Balance as at July 01, 2020	211,790	39,577	133,669	113,487	18,152	394,411	57,659	356,251	1,324,996	1,333	1,326,329
Additions during the year	-	215	7,081	7,727	25	56,272	7,291	221,878	300,489	-	300,489
Disposals during the year		-	(374)	(9,272)	(619)	(198,079)	(394)	(175,979)	(384,717)	(1,333)	(386,050)
Balance as at June 30, 2021	**211,790**	**39,792**	**140,376**	**111,942**	**17,558**	**252,604**	**64,556**	**402,150**	**1,240,768**	-	**1,240,768**
Accumulated Depreciation											
Balance as at July 01, 2020	7,056	35,808	123,942	100,308	17,970	331,763	42,470	225,796	885,113		885,113
Charge for the Year	2,139	327	4,673	7,631	182	29,843	5,749	71,689	122,233		122,233
Disposals During the Year		-	(374)	(9,254)	(619)	(197,671)	(389)	(154,484)	(362,991)		(362,991)
Transfers/Reclassification	-	-	156	199		-	(355)	-	-		-
Balance as at June 30, 2021	**9,195**	**36,135**	**128,397**	**98,884**	**17,533**	**163,735**	**47,475**	**143,001**	**644,355**	-	**644,355**
WDV as at June 30, 2021	**202,595**	**3,657**	**11,979**	**13,058**	**25**	**88,869**	**17,081**	**259,149**	**596,413**	-	**596,413**
Cost											
Balance as at July 01, 2019	211,790	39,577	129,173	103,179	18,152	338,794	56,601	362,900	1,260,166	-	1,260,166
Additions during the year	-	-	3,169	9,596	-	73,175	2,421	27,100	115,461	1,333	116,794
Disposals during the year						(16,882)	-	(33,749)	(50,631)	-	(50,631)
Transfers/Reclassification			1,327	712	-	(676)	(1,363)	-	-		-
Balance as at June 30, 2020	**211,790**	**39,577**	**133,669**	**113,487**	**18,152**	**394,411**	**57,659**	**356,251**	**1,324,996**	**1,333**	**1,326,329**
Accumulated Depreciation											
Balance as at July 01, 2019	4,917	33,829	114,481	91,451	17,350	321,817	38,018	182,811	804,674	-	804,674
Charge for the Year	2,139	1,979	8,406	8,144	630	27,451	5,543	68,608	122,890	-	122,890
Disposals During the Year						(16,828)	-	(25,623)	(42,451)		(42,451)
Transfers/Reclassification			1,055	713	-	(677)	(1,091)	-	-	-	-
Balance as at June 30, 2020	**7,056**	**35,808**	**123,942**	**100,308**	**17,970**	**331,763**	**42,470**	**225,796**	**885,113**	-	**885,113**
WDV as at June 30, 2020	**204,734**	**3,769**	**9,727**	**13,179**	**182**	**62,648**	**15,189**	**130,455**	**439,883**	**1,333**	**441,216**
Rates of depreciation / Useful life	99 years	5%	20%	30%	20%	20%/25%/33%	10%	20%			

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		Note	2021 (Rs. '000')	2020 (Rs. '000')
6	**RIGHT TO USE OF ASSETS**			
	Opening balance- Leasehold building		326,554	-
	Right to use of asset recognized		-	260,149
	Additions during the year		557,669	66,405
	Disposals during the year		(260,149)	-
	Closing balance		**624,074**	**326,554**
	Opening balance- Accumulated amortization		**170,797**	-
	Amortization for the year		181,562	170,797
	Disposals during the year		(260,149)	
	Closing balance		**92,210**	**170,797**
	Net book value as at year end		**531,864**	**155,757**
	Rate of amortization		Over lease term	Over lease term
7	**INTANGIBLE ASSETS**			
	Opening balance- Softwares		283,606	122,717
	Additions during the year		6,464	193,450
	Disposals during the year		(3,434)	(32,561)
	Closing balance		**286,636**	**283,606**
	Opening balance- Accumulated amortization		**95,688**	120,068
	Amortization for the year		60,105	8,181
	Disposals during the year		(3,434)	(32,561)
	Closing balance		**152,359**	**95,688**
	Net book value as at year end		**134,277**	**187,918**
	Amortization rate (%) per annum		25%	25%
8	**INTANGIBLES UNDER DEVELOPMENT**			
	Opening balance		**10,257**	-
	Additions during the year		8,467	10,257
	Closing balance		**18,724**	**10,257**

8.1 This represents cost incurred on softwares under development.

		Note	2021 (Rs. '000')	2020 (Rs. '000')
9	**LONG TERM INVESTMENTS**			
	Long term investment	9.1	1,037,058	1,028,647
	Investment in associate - Unquoted			
	Institute of Financial Markets of Pakistan	9.2	28,000	28,000
	Less: Impairment loss on investment		(28,000)	(28,000)
			1,037,058	**1,028,647**

9.1 This represents the investment in Pakistan Investment Bonds (PIB's). The rate of mark up is 9% per annum with maturity in 2022. The investment has been accounted at amortized cost.

9.2 **Investment in Institute of Financial Markets of Pakistan (a section 42 Company under the Companies Act, 2017)**

This represents 73.68% (2020: 73.68%) investment in issued, subscribed and paid-up capital of Institute of Financial Markets of Pakistan (the Institute) representing 5,600 (2020: 5,600) ordinary shares of Rs 5,000 (2020: 5,600) each.

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	Note	2021 (Rs. '000')	2020 (Rs. '000')

9 LONG TERM INVESTMENTS (Continue...)

However, the Institute is an associate of the Commission since the Commission has no controlling power over the financial and operating policies of the Institute.

Further, the commission has undertaken to contribute an amount not exceeding Rs. 50,000 (2020: 50,000) to the assets of the institute in the event of its being wound up.

The following table summarises the financial information of the Institute as included in its financial statements for the year ended June 30, 2020, which have been used for accounting under equity method. The table also reconciles the summarised financial information to the carrying amount of the Commission's interest in associate.

	Note	2021	2020
Percentage of shareholding		73.68% Un Audited	73.68% Audited
Non current assets		37,171	37,337
Current assets (including cash and cash equivalents)		5,933	12,454
Total assets		43,104	49,791
Non-current liabilities		5,774	8,165
Current liabilities		1,934	5,908
Total liabilities		7,708	14,073
Net assets at fair value (100%)		35,396	35,718
Commissions share of net assets (73.68%)		26,080	26,317
Impairment loss on investment		(28,000)	(28,000)
Share in loss and assets not recognized		1,920	1,683
Carrying amount of interest in associate	9.3	-	-
Revenue		29,397	24,896
Loss from continuing operations (100%)		(763)	(5,919)
Other comprehensive income (100%)		-	-
Total comprehensive income (100%)		(763)	(5,919)
Commissions share of total comprehensive income		(562)	(4,361)

The information presented above for current year is based on unaudited financial statements of the Institute for the year ended June 30, 2021.

9.3 The carrying amount of interest in associate in the Commission's financial statements is Nil (2020: Nil). Share in profit of associate has not been recognized since the profits are not available for distribution. Further, on the basis of analysis of recoverable amount of the associate, the Commission recognized an impairment loss of Rs. 28,000,000 in prior years.

10 LOANS AND ADVANCES

	Note	2021	2020
Loans and advances - considered good			
Interest Bearing		35,687	43,716
Non-Interest Bearing	10.1	548,898	541,017
		584,585	584,733
Less: Current portion of loans and advances			
Interest Bearing		(5,724)	(50,136)
Non-Interest Bearing		(112,242)	(67,910)
		(117,966)	(118,046)
Non-Current portion of loans and advances		466,619	466,687
Less: Provision for imputed interest on loans and advances		(117,579)	(121,985)
Non-Current portion of loans and advances-net		**349,040**	**344,702**

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	Note	2021 (Rs. '000')	2020 (Rs. '000')

10.1 These represent loans to employees for various purposes as per SECP Human Resource manual, secured against employees' retirement benefits and collaterals. Loans are recoverable in monthly installments, to a maximum period by June 2033 . These loans have been designated as interest free for employees except for employees availing house and vehicle loans who have not opted out of interest on their respective provident fund balances.

11 DEFERRED TAX ASSET

	Note	2021 (Rs. '000')	2020 (Rs. '000')
Deferred tax asset-opening		61,696	69,687
Deferred tax expense during the year	11.1	(61,696)	(7,991)
Deferred tax asset-closing		-	**61,696**

The net balance of deferred taxation is in respect of the following temporary differences:

		2021 (Rs. '000')	2020 (Rs. '000')
- Accelerated depreciation and amortization		-	(13,845)
- Profit on short term investments accrued but not due		-	(32,708)
- Discount on long term loan		-	35,375
- Operating lease liabilities under IFRS 16		-	64,754
- Impairment loss on investment in associate		-	8,120
		-	**61,696**

11.1 Through the Finance Act, 2021, effective from July 01, 2021, income of the Commission has been exempted from tax including the minimum tax under section 113 of the Income Tax Ordinance, therefore the commission is not subject to income tax in future years. Consequently, deferred tax asset has been written-off during the year.

12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021 (Rs. '000')	2020 (Rs. '000')
Current portion of loans and advances - considered good		117,966	118,046
Short term loans to employees - considered good	12.1	6,010	4,463
Advances		7,527	129,866
Deposits		3,976	3,562
Prepayments		20,067	10,381
Advance tax - net	12.2	3,169	7,002
Fee receivable - considered good		29,909	57,970
Advances receivable	12.3	27,223	27,223
Receivable from staff retirement funds	16.2.1	2,296	-
Other receivables - considered good		18,949	17,797
		237,092	**376,310**

12.1 These represent the house rent advance loans given to employees and are recoverable/adjustable on monthly basis. The amount is secured against the employees' share of post employment benefits.

12.2 **Advance income tax / income tax payable - net**

	2021 (Rs. '000')	2020 (Rs. '000')
Opening balance	7,002	12,456
Tax charge for the year:		
Statement of comprehensive income	(181,801)	(101,862)
Other comprehensive income	-	-
	(181,801)	(101,862)
Tax paid during the year	177,968	96,408
Closing balance	**3,169**	**7,002**

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		Note	2021 (Rs. '000')	2020 (Rs. '000')

12.3 This includes an amount of Rs. 19,425,000 (2020: 19,425,000) representing 5% bid money paid to Pakistan Railway in 2012 for purchase of land on 99 year lease and Rs 7,798,000 paid to Sindh Board of Revenue for stamp duty. The Honorable Supreme Court of Pakistan in Suo moto notice restrained the Government of Sindh to transfer the state land. Later the Honorable Supreme Court of Pakistan vide order dated August 07,2019 decided that Sindh Board of Revenue in the first place is the Competent Authority to consider applications for grant of allotment and if such allotment is sought to be bona fide and in accordance with the Law. Private sale of Government land apparently is not permissible in law.

In another case, the Honorable Supreme Court of Pakistan vide order dated January 04, 2019 has held that Pakistan Railways cannot lease land owned by center and province for more than five years where land is not required for railways operations . After the decisions of the Honorable Supreme Court of Pakistan, the Commission has requested the Pakistan Railways and Sindh Board of Revenue for refund of bid amount and stamp duty.

		Note	2021	2020
13	**SHORT TERM INVESTMENTS**			
	Government Treasury Bills (T-Bills)	13.1	**2,121,474**	**2,178,658**

13.1 This includes T-bills having maturity of one year and carry rate of mark-up ranging from 7.20% to 7.40% (2020: 12.74% to 13.83%) per annum.

		Note	2021	2020
14	**CASH AND BANK BALANCES**			
	Cash in hand		397	573
	Cash at bank - interest bearing accounts	14.1	292,933	54,097
			293,330	**54,670**

14.1 These carry mark-up rate of 5.5% (2020: 6.5% to 10.25%) per annum.

		Note	2021	2020
15	**CURRENT MATURITY OF LEASE LIABILITIES**		**180,056**	**198,825**
16	**ACCRUED AND OTHER LIABILITIES**			
	Accrued expenses		64,790	76,118
	Performance based incentives payables		444,330	322,253
	Accounts payable		39,056	117,321
	Withholding tax payable		37	1,707
	Payable to staff retirement funds	16.1.1	82,724	207,039
	Unearned income	16.3	102,292	148,025
	Levies payable to Competition Commission of Pakistan		458,691	436,804
	Other liabilities		13,335	16,009
			1,205,255	**1,325,276**
16.1	**Payable to staff retirement funds**			
	Gratuity fund	16.1.1	82,724	87,263
	Pension fund	16.2.1	(2,296)	119,776
			80,428	**207,039**
16.1.1	**Changes in net liability - gratuity fund**			
	Opening balance		87,263	26,245
	Charge during the year	16.1.2	89,454	93,718
	Other comprehensive income	16.1.3	9,267	1,168
	Payments made during the year		(103,260)	(33,868)
	Closing balance	16.1.4	**82,724**	**87,263**

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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	Note	2021 (Rs. '000')	2020 (Rs. '000')
16.1.2 Amount charged to Statement of Comprehensive Income			
Past service cost			
Current service Cost		85,418	92,367
Interest cost on defined benefit obligation		92,886	126,166
Interest income on plan assets		(88,850)	(124,815)
		89,454	**93,718**
16.1.3 Amount charged to Other Comprehensive Income			
Premeasurement (loss) / gain - Experience adjustment		(38,390)	12,136
Gain/(loss) on plan assets, excluding interest income		29,123	(13,304)
		(9,267)	**(1,168)**
16.1.4 Reconciliation of amounts recognized in the balance sheet			
Present value of defined obligations	16.1.5	1,170,073	1,041,968
Fair value of plan assets	16.1.6	(1,087,349)	(954,705)
		82,724	**87,263**
16.1.5 Movement in Present value of defined obligation			
Present value of defined obligations at beginning of the year		1,041,968	904,643
Current service cost		85,418	92,367
Interest cost		92,886	126,166
Benefit paid		(88,589)	(69,072)
Experience adjustment		38,390	(12,136)
Obligation at end of the year		**1,170,073**	**1,041,968**

Principle actuarial assumptions

	2021	2020
Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	10.25%	9.25%
b: Salary increase rate (Long term)	8.25%	7.25%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	9.25%	14.50%
b: Salary increase rate (Long term)	7.25%	12.50%

Sensitivity Analysis

Reasonably possible change at reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	1,062,144	1,297,969
Future salary growth (1% movement)	1,299,857	1,058,408

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximate of the sensitivity of the assumptions shown.

Projected benefit payments from funds are as follows:

	2021	2020
Year 1	24,141	83,229
Year 2	37,478	33,611
Year 3	49,011	40,853
Year 4	132,967	99,702
Year 5	100,256	73,104
Year 6 to Year 10	866,089	466,375
Year 11 and above	-	2,398,674

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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	Note	2021 (Rs. '000')	2020 (Rs. '000')
16.1.6 Movement in Fair value of plan assets			
Fair value plan assets at beginning of the year		954,705	878,398
Interest income on plan assets		88,850	124,815
Contributions		103,260	33,868
Benefit paid		(88,589)	(69,072)
Return on plan assets, excluding interest income		29,123	(13,304)
Fair value of plan assets at end of the year	16.1.7	**1,087,349**	**954,705**
16.1.7 Break-up of plan assets			
Special Savings Certificates		1,036,190	917,834
National Savings-SNDRs		41,009	-
Bank accounts		10,150	36,871
		1,087,349	**954,705**

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan.

The plan exposes the Commission to various actuarial risks: investment risk, salary risk and longevity risk from the gratuity plan.

	Note	2021 (Rs. '000')	2020 (Rs. '000')
16.2.1 Changes in net liability - pension fund			
Opening balance		119,776	131,886
Charge during the year	16.2.2	36,388	46,918
Other comprehensive income	16.2.3	(38,684)	72,858
Payments made during the year		(119,776)	(131,886)
Closing balance	16.2.4	**(2,296)**	**119,776**
16.2.2 Amount charged to Statement of Comprehensive Income			
Past service cost			
Current service Cost		29,092	34,603
Interest cost on defined benefit obligation		152,158	209,554
Interest income on plan assets		(144,862)	(197,239)
		36,388	**46,918**
16.2.3 Amount charged to Other Comprehensive Income			
Premeasurement loss - experience adjustment		(13,801)	(42,534)
Gain/(loss) on plan assets, excluding interest income		52,485	(30,324)
		38,684	**(72,858)**
16.2.4 Reconciliation of amounts recognized in the balance sheet			
Present value of defined obligations	16.2.5	1,776,420	1,670,562
Fair value of plan assets	16.2.6	(1,778,716)	(1,550,786)
		(2,296)	**119,776**
16.2.5 Movement in Present value of defined obligation			
Present value of defined obligations at beginning of the year		1,670,562	1,468,553
Current service cost		29,092	34,603
Interest cost		152,158	209,554
Benefit paid		(89,193)	(84,682)
Experience adjustment		13,801	42,534
Obligation at end of the year		**1,776,420**	**1,670,562**

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	Note	2021 (Rs. '000')	2020 (Rs. '000')
Principle actuarial assumptions			
Assumption used to determine Defined Benefit Obligation			
a: Discount Rate		10.25%	9.25%
b: Salary increase rate (Long term)		8.25%	7.25%
c: Pension Indexation Rate		5.25%	4.25%
Assumption used to determine Defined Benefit Cost			
a: Discount Rate		9.25%	14.50%
b: Salary increase rate (Long term)		7.25%	12.50%
c: Pension Indexation Rate		4.25%	9.00%

Sensitivity Analysis

Reasonably possible change at reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	1,615,269	2,013,037
Future salary growth (1% movement)	1,870,495	1,726,090
Pension rate (1% movement)	1,935,961	1,674,912

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximate of the sensitivity of the assumptions shown.

Projected benefit payments from funds are as follows:

	Note	2021	2020
Year 1		59,970	123,626
Year 2		116,336	134,053
Year 3		104,637	119,364
Year 4		159,636	160,078
Year 5		108,992	114,297
Year 6 to Year 10		1,018,144	808,817
Year 11 and above		-	1,332,276
16.2.6 Movement in Fair value of plan assets			
Fair value plan assets at beginning of the year		1,550,786	1,336,667
Interest income on plan assets		144,862	197,239
Contributions		119,776	131,886
Benefit paid		(89,193)	(84,682)
Return on plan assets, excluding interest income		52,485	(30,324)
Fair value of plan assets at end of the year	16.2.7	**1,778,716**	**1,550,786**
16.2.7 Break-up of plan assets			
Special Notice Deposit Receipts (SNDR) - NBP		30,756	40,974
Special Savings Certificates		1,693,734	1,503,052
Treasury Bills		47,929	-
Bank accounts		6,297	6,760
		1,778,716	**1,550,786**

Funds covered were invested within limits specified by regulations governing investment of approved The pension plan is a defined benefits plan invested through approved trust fund. The trustees of the fund are responsible for plan administration and investment. The Commission appoints the trustees. All trustees are employees of the commission.

The plan exposes the Commission to various actuarial risks: investment risk, salary risk and longevity risk from the pension plan.

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		Note	2021 (Rs. '000')	2020 (Rs. '000')

16.3 Unearned income

This represents advance payments received from customers in accordance with the forms of various statues/ regulations including under the Companies Act, 2017, Insurance Ordinance, 2002 and NBFC and Notified Entities Regulations, 2008. Unearned income is recognised as revenue when the performance obligation in accordance with the policy as described in note 4.9 is satisfied.

17 PAYABLE TO FEDERAL CONSOLIDATED FUND

	Note	2021 (Rs. '000')	2020 (Rs. '000')
Balance at the beginning of the year		185	1,478
Penalties collected during the year	17.1	47,845	28,823
Penalties refunded during the year		-	(1,500)
Penalties deposited to the Fund during the year		(45,808)	(28,616)
Balance at the end of the year		2,222	185

17.1 Penalties collected during the year

	2021 (Rs. '000')	2020 (Rs. '000')
Company Law Division	15,037	12,150
Insurance Division	2,675	3,125
Securities Market Division	14,185	9,683
Specialized Companies Division	15,948	3,865
	47,845	28,823

17.2 In terms of an amendment to the SECP Act, 1997 through Finance Act, 2012, effective 01 July 2012, all penalties/ fines recovered are not credited to income of the Commission, rather, they are credited to and deposited in the Federal Consolidated Fund.

As per SECP Act 1997 (amendment through SECP Amendment Act, 2016) "any surplus of receipts over the actual expenditure including budgeted expenditures in a year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government." The amount payable to the Fund based on audited results is detailed below:

	2021 (Rs. '000')	2020 (Rs. '000')
17.2 Accumulated surplus transferred to the Fund	264,958	276,943
Less: Transfer to reserve for loan to employees	-	-
Less: Amount retained against actual and budgeted capital expenditures	(264,958)	(276,943)
Payable to the Fund	-	-

The Commission has transferred Rs. 269,380,815 (2020: Rs. 276,942,757) from the accumulated surplus to assets acquisition reserve.

18 PROVISION FOR COMPENSATED ABSENCES

This represents the Commission's liability towards employees' compensated absences which is payable at the time of separation of eligible employees.

	2021 (Rs. '000')	2020 (Rs. '000')
Obligation at beginning of the year	182,927	170,649
Expense for the year	38,567	23,252
Encashed during the year	(14,959)	(10,974)
Obligation at end of the year	206,535	182,927

Principal actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2021 using Projected Unit Credit Method.

	2021	2020
Valuation discount rate - per annum	10.25%	9.25%
Salary increase rate - per annum	8.25%	7.25%

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		Note	2021 (Rs. '000')	2020 (Rs. '000')
19	**LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	The minimum lease payments under finance leases fall due as follows:			
	within one year		226,825	205,789
	later then one year but within five years		388,699	51,321
	later than five years		-	-
			615,524	257,110
	Less: Financial charges allocated to the future periods		(83,460)	(33,822)
	Net lease obligation		532,064	223,288
	Less: Current Portion shown under current liabilities		(180,056)	(198,825)
			352,008	**24,463**

19.1 The weighted-average incremental rate applied to lease liabilities recognized during the year was 10% per annum.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

(i) Certain companies / individuals filed suits against the Commission in respect of claims aggregating to Rs. 8,913 million (2020: 1,868 million) for damages. Based on legal advise, the Commission is confident of a favorable outcome of these cases and that there will be no financial impact of these cases.

(ii) The Commission has been made party in various other legal cases. The Commission believes that the outcome of these cases would not result in any financial exposure to the Commission.

20.2 Commitments

Aggregate commitments for contracted capital expenditure at end of the year is nil. (2020: Rs. 73 million).

21 FEES AND OTHER RECOVERIES

		Note	2021 (Rs. '000')	2020 (Rs. '000')
	Fees and other recoveries	21.1	3,340,491	2,947,146
	less: Competition Commission of Pakistan levy		(100,229)	(88,414)
			3,240,262	**2,858,732**
21.1	Company Law Division		2,327,018	1,677,591
	Insurance Division		369,226	388,881
	Securities Market Division		365,423	226,191
	Specialized Companies Division		278,824	654,483
			3,340,491	**2,947,146**

22 OTHER INCOME

	2021 (Rs. '000')	2020 (Rs. '000')
Income from financial assets		
Income on bank deposits	17,807	33,186
Income on investments	258,632	380,866
Amortization income of Pakistan Investment Bonds (PIBs)	8,411	4,315
	284,850	418,367
Income from non - financial assets		
Gain on sale of property and equipment	16,260	4,871
Miscellaneous income	2,269	5,764
	303,379	**429,002**

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		Note	2021 (Rs. '000')	2020 (Rs. '000')
23	**SALARIES, ALLOWANCES AND OTHER BENEFITS**			
	Salaries		750,984	722,267
	House rent allowance		430,282	424,572
	Medical allowance		117,563	113,733
	Conveyance allowance		20,867	21,208
	Utility allowance		71,113	70,745
	Other allowance		660,299	477,714
	Provision for pension		36,388	46,918
	Provident fund contribution		64,104	63,102
	Provision for gratuity		89,454	93,718
	Provision for compensated absences		38,567	23,252
			2,279,621	**2,057,229**
24	**OPERATING EXPENSES**			
	Repair and maintenance		95,693	86,765
	Support staff cost		99,886	104,408
	Travelling and conveyance		44,931	85,459
	Telephone, postage and courier		35,920	27,776
	Utilities		27,512	25,082
	Rent and rates		6,395	5,875
	Discounting on operating lease liabilities		12,919	30,562
	Printing and stationery		22,466	18,038
	Legal and professional charges		16,241	15,465
	Fees and subscription		9,063	10,621
	Human resource development		13,413	6,362
	Insurance		14,742	13,524
	Advertisement		2,560	4,379
	Entertainment		3,370	231
	Audit fee	24.1	580	500
	Others		15,391	32,768
			421,082	**467,815**
24.1	**Audit fee**			
	Annual audit fee		400	400
	Audit fee for employee benefits fund trusts		180	-
	Out of pocket expenses		-	100
			580	**500**
25	**TAXATION**			
	Current tax			
	- current year		181,801	100,985
	- prior years		-	877
			181,801	101,862
	Deferred tax		61,696	29,459
			243,497	**131,321**

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2021 (Rs. '000')	2020 (Rs. '000')
25.1 The relationship between the tax expense and surplus of income over expenditure is as follows:			
Surplus of income over expenditure		479,038	460,822
Applicable tax rate		29%	29%
Tax at applicable tax rate		138,921	133,638
Tax impact of inadmissible expenses		201,991	94,796
Tax impact of depreciation and other admissible expenses		(159,111)	(127,449)
Effect of prior years charge		-	877
Impact of deferred tax expense		61,696	29,459
Tax expense for the year		**243,497**	**131,321**

26 TAX STATUS

(i) The Securities and Exchange Commission of Pakistan [the "Commission"] has filed the tax returns for the Tax Years 2003 to 2007 in pursuance of the order of the Honorable Federal High Court, by claiming exemption on total income in terms of section 49 of the Income Tax Ordinance, 2001 [the "Ordinance"]. However the Additional Commissioner of Income Tax, Audit Division [the "ACIT"] amended the assessments of the Commission under section 122(5A) of the Ordinance by rejecting the claim of exemption and thereby creating tax demand aggregating to Rs. 892.60 million. The Appellate Tribunal Inland Revenue [the "ATIR"] had upheld the annulment of order of AdCIT for Tax Year 2003 and maintained the order for the Tax Years 2004 to 2007, while disposing of the appeals filed by the Commission against the order of the Commissioner Appeals [the "CIR(A)"]. The Commission filed the reference applications before the Honorable Islamabad High Court (IHC), who held that the amendments brought in section 49 of the Ordinance through the Finance Act, 2007, are not applicable retrospectively. As a result of this, payment of tax demands previously made by the Commission under protest, stands refundable. The income tax department has filed an appeal in the Honorable Supreme Court of Pakistan against the order of the Honorable High Court of Islamabad.

(ii) The Officer Inland Revenue [the "OIR"] charged default surcharge aggregating to Rs. 111.90 million for delay in payment of the tax demands for the Tax Years 2004 to 2007. While deciding the appeals filed by the Commission, the CIR (A) has upheld the charge of additional tax and directed the OIR to re-compute the amount of default surcharge after taking cognizance of the tax refunds available with the Commission for the Tax Years 2008 and 2009. During the reassessment proceedings, the OIR followed the same procedure to work out the default surcharge which action was rejected by the CIR(A) with the directions to follow the instructions earlier given by the CIR(A). The Commission has contested the order of CIR(A) to uphold the charge of default surcharge before the ATIR. The ATIR also upheld the order of the CIR(A) for charge of default surcharge, however the ATIR ordered for deletion of the default surcharge for the period for which the stay granted by the Honorable Islamabad High Court through order dated 19 February 2009 was in force. However, since, in view of the order of the IHC, the tax demands for the Tax Years 2004 to 2007 stood vitiated, therefore, consequent charge of default surcharge is also liable to be deleted.

(iii) The tax authority has amended the assessment of the Commission for the Tax Year 2008, thereby, disallowing the excessive tax depreciation of Rs. 24.47 million allegedly claimed by the Commission. The CIR(A) has set-aside the amended assessment order on appeal filed by the Commission. Against the appellate order of the CIR(A), the Commission has filed an appeal before the ATIR, which is subjudice till to-date.

(iv) The Commission has filed the return for the Tax Years 2008 to 2019, which stood assessed in terms of Section 120 of the Ordinance. The Commissioner Inland Revenue [the "CIR"] selected the Commission for audit relating to the Tax Year 2010. However, the Commission has challenged its selection for audit by CIR in the Honorable Islamabad High Court. The writ petition of the Commission was rejected by the IHC.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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	Note	2021 (Rs. '000')	2020 (Rs. '000')

26 TAX STATUS (Continue…)

(iv) Against this rejection, the Commission has filed an Intra Court appeal to the Division Bench of the IHC, thereby addressing certain issues. Being not satisfied with the order of the IHC, the Commission as well as the Tax Department, have filed reference before the Honorable Supreme Court of Pakistan.

(v) Consequent to reassessment proceedings for the Tax Year 2013, the tax authority amended the assessment of the Commission thereby making certain disallowances and curtailing income tax refund by Rs. 31,939,949. Being aggrieved with the amended assessment order, the Commission preferred an appeal before the CIR(A), who has set-aside the amended assessment order and has remanded back the case to the tax authority. Being not satisfied with the order of the CIR(A), the Commission has filed appeal before

(vi) Through the order framed by the tax authority under section 161 read with section 205 of the ordinance for the tax year 2017, tax demand of Rs. 360,230/- was raised and the SECP has requested the tax authority to adjust the same against tax refundable for prior years.

(vii) The tax authority has issued Notice to the Commission for ascertaining compliance with the income tax withholding obligations. The management of the Company has filed the relevant information with the tax authority and the proceedings are underway.

The management expects favorable outcome of the appeals and therefore no provision against these cases has been recognized on these matters in these financial statements.

(viii) Through the promulgated Finance Act, 2021, income of the Commission has been exempted from income tax by way of inclusion of its name in Table I of sub-clause (1) of clause (66) of part I of the second schedule to the Income Tax Ordinance, 2001. The Finance Act, 2021 is effective from July 01, 2021.

27 FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets at amortized cost

	2021 (Rs. '000')	2020 (Rs. '000')
Maturity upto one year		
Advances, deposits and prepayments	213,856	358,927
Short term investments	2,121,474	2,178,658
Accrued profit on long term investment	26,668	26,751
Cash and bank balances	293,330	54,670
	2,655,328	2,619,006
Maturity after one year		
Long term investments	1,037,058	1,028,647
Loans and advances	349,040	344,702
	1,386,098	1,373,349
	4,041,426	**3,992,355**

Financial liabilities at amortized cost

	2021 (Rs. '000')	2020 (Rs. '000')
Maturity upto one year		
Accrued and other liabilities	1,102,963	1,177,251
Current maturity of lease liabilities	180,056	198,825
Payable to Federal Consolidated Fund	2,222	185
	1,285,241	**1,376,261**
Maturity after one year		
Liability against assets subject to finance lease	**352,008**	**24,463**

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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	Note	2021 (Rs. '000')	2020 (Rs. '000')

27.1 Credit quality of financial assets

The credit quality of financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	2021 (Rs. '000')	2020 (Rs. '000')
Advances, deposits and prepayments			
Counterparties without external credit ratings	A-1+	213,856	358,927
Short term investments			
Counterparties without external credit ratings	A-1+	2,121,474	2,178,658
Accrued profit on long term investments			
Counterparties without external credit ratings	A-1+	26,668	26,751
Cash and bank balances			
Counterparties without external credit ratings	A-1+	293,330	54,670

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Commission has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Commission has overall responsibility for the establishment and oversight of the Commission's risk management framework. The Commission is responsible for developing and monitoring the Commission's risk management policies.

The Commission's risk management policies are established to identify and analyze the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities. The Commission, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Commission's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission. Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

28.1 Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Commission has placed funds in government securities and financial institutions with high credit worthiness and assesses the credit quality of the counter parties as satisfactory. The Commission does not hold any collateral as security against any of its financial assets. The Commission believes that it is not exposed to major concentration of credit risk.

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	Note	2021 (Rs. '000')	2020 (Rs. '000')

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

	Note	2021 (Rs. '000')	2020 (Rs. '000')
Loans and advances		349,040	344,702
Advances, deposits and other receivables		213,856	358,927
Short term investments		2,121,474	2,178,658
Accrued profit on long term investments		26,668	26,751
Cash at banks		292,933	54,097
		3,003,971	**2,963,135**

Geographically there is no concentration of credit risk. As at the year end, the Commission's most significant receivables represents investment in Government Treasury Bills and Pakistan Investment bonds with banks of aggregate amount of Rs. 3,047,732,500 thousands (excluding markup). The management believes that no impairment allowance is necessary in respect of the Commission's financial assets as the most significant financial assets represent investment and bank balances which are with banks and institutions of high credit ratings.

28.2 Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Commission's reputation.

The maturity profile of the Commission's financial liabilities based on the contractual amounts is as follows:

Financial liabilities

	2021 (Rs. '000')	2020 (Rs. '000')
Maturity upto one year		
Accrued and other liabilities	1,102,963	1,177,251
Current maturity of lease liabilities	180,056	198,825
Payable to Federal Consolidated Fund	2,222	185
	1,285,241	**1,376,261**
Maturity after one year		
Liability against assets subject to finance lease	**352,008**	**24,463**

28.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Commission's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk management

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from short term investment, and balances in deposit and saving accounts. At the balance sheet date the interest rate risk profile of the Commission's interest bearing financial instruments are as follows:

a) Fixed rate instruments

	2021 (Rs. '000')	2020 (Rs. '000')
Cash at bank	292,933	54,097
Short term investment	2,121,474	2,178,658
	2,414,407	**2,232,755**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rs. '000')	2020 (Rs. '000')

b) Fair value sensitivity analysis for fixed rate instruments

The Commission does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not effect profit or loss.

Currency risk management

Exposure to currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Commission believes that it is not materially exposed to foreign exchange risk.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement

	June 30, 2021		June 30, 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets not measured at fair value				
Loans and advances	466,619	466,619	466,687	466,687
Advances, deposits and other receivables	213,856	213,856	358,927	358,927
Short-term investments	2,121,474	2,121,474	2,178,658	2,178,658
Accrued profit on long term investments	26,668	26,668	26,751	26,751
Cash and bank balances	292,933	292,933	54,097	54,097
	3,121,550	**3,121,550**	**3,085,120**	**3,085,120**
Financial liabilities not measured at fair value				
Accrued and other liabilities	1,102,963	1,102,963	1,177,251	1,177,251
Current maturity of lease liabilities	180,056	180,056	198,825	198,825
Payable to Federal Consolidated Fund	2,222	2,222	185	185
Liability against assets subject to finance lease	352,008	352,008	24,463	24,463
	1,637,249	**1,637,249**	**1,400,724**	**1,400,724**

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in securities- fair value through other comprehensive income

The fair value of fair value through other comprehensive income investments are determined either by reference to their quoted closing repurchase price at the reporting dates or as the present value of future cash flows discounted at market rates of interest for a similar instrument at the reporting dates.

29.1 Off-setting of financial assets and liabilities

The Commission does not have any legally enforceable right to set off the recognized amounts of financial assets and financial liabilities, therefore the Commission does not off-set any financial assets and financial liabilities.

30 CAPITAL RISK MANAGEMENT

The Policy Board of the Commission monitors the Commission's performance along with funds required for sustainable operations of the Commission. There were no changes to the Commission's approach to the fund management during the year. The Commission is not subject to externally imposed fund requirements.

31 TRANSACTIONS WITH RELATED PARTIES

The Commission deals with several state-controlled entities, directly or indirectly controlled by the Government of Pakistan through its Government authorities, agencies, affiliates and other organizations. Transactions with these state-controlled entities are not very significant.

In addition to above, Pakistan Institute of Capital Markets, Pakistan Institute of Corporate Governance, key management personnel and employee benefit plans are related parties of the Commission.

Transactions with related parties during the year and balances outstanding at the year end are as follows:

Name of the related party	Relationship and shareholding	Transactions during the year	2021 (Rs. '000')	2020 (Rs. '000')
Commissioners	Key management	Loan disbursed	1,800	12,441
		Loan repaid	(8,324)	(5,617)
		Outstanding balance	300	6,824
Pakistan Institute of Corporate Governance	State controlled entity results in associate	Contribution made	158	100
Federal Board of Revenue	State controlled entity results in associate	Opening balance	7,002	12,456
		Tax expense for the year	(181,801)	(101,862)
		Tax paid during the year	177,968	96,408
		Closing balance	3,169	7,002

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Name of the related party	Relationship and shareholding	Transactions during the year	2021 (Rs. '000')	2020 (Rs. '000')
Competition Commission of Pakistan	State controlled entity results in associate	Opening balance	436,803	348,389
		Levy for the year	100,229	88,414
		Levy paid during the year	(78,342)	-
		Closing balance	458,690	436,803
Pakistan Institute of Capital Markets	Associate (73.68% shareholding)	**Amount of Investment -at cost**	**28,000**	**28,000**
		Net assets at fair value (100%)	35,397	35,718
		Commissions share of net assets	26,081	26,317
		Impairment loss on investment	(28,000)	(28,000)
		Share in loss and assets not recognized	1,919	1,683
		Carrying amount of interest in	-	-
Federal Consolidated Fund	Federal Government of Pakistan	Outstanding balance at year end	2,222	185
National Savings-T Bills/TDRs	State controlled entity results in associate	Opening balance	2,178,658	3,072,857
		Encashed during the year	(2,227,827)	(6,489,274)
		Investment made during the year	2,170,643	5,595,075
		Closing balance	2,121,474	2,178,658
National Bank of Pakistan-PIBs	State controlled entity results in associate	Opening balance	1,055,398	-
		Encashed during the year	(134,745)	(28,558)
		Investment made during the year	143,073	1,083,956
		Closing balance	1,063,726	1,055,398
Securities and Exchange commission of Pakistan-Provident fund trust	Other related party	Provident fund-employer contribution	64,242	63,121
		Provident fund-employee contribution	64,242	63,121
Securities and Exchange commission of Pakistan-Pension fund trust	Other related party	Pension fund-(receivable)/ payable	(2,296)	119,776
Securities and Exchange commission of Pakistan-Gratuity fund trust	Other related party	Gratuity fund - payable	82,724	87,263

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Name of the related party	Relationship and shareholding	Transactions during the year	2021 (Rs. '000')	2020 (Rs. '000')
Securities and Exchange commission of Pakistan-Volunteer Pension scheme	Other related party	Volunteer Pension scheme-Employer	33,418	32,046
		Volunteer Pension scheme-Employee	33,418	32,046

32 RE-CLASSIFICATION/CORRESPONDING FIGURES

The corresponding figures have been re-arranged and/ re-classified, wherever necessary, for the purpose of comparison in the financial statements. The details of the major reclassifications are as below:

Description	Re-classified from	Re-classified to	2020 (Rs. '000')
Accrued profit on investment in PIBs	Long term investments	Accrued profit on long term investments (Presented in current assets)	26,751

33 DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on 02 NOV 2021 by the Commission.

34 GENERAL

Figures have been rounded off to the nearest rupee.

CHAIRMAN

COMMISSIONER

SECP pinpoints ... leading to extraordinary growth of 186pc
BUSINESS RECORDER
Resident, non-resident investors can open online accounts: SECP
کمپنیوں، سٹارٹ اپس کو
پراپرٹی اور دیگر اثاثوں کے عوض
سرمایہ حاصل کرنے کی اجازت
bonds issuance
SECP reduces ... forms for compan...
THE NEWS
SECP mulls framework on digital financial assets
By our correspondent
SECP grants approval for launching of P2P Lending Platform
SECP launches second cohort of its Regulatory Sandbox
TRIBUNE
PSX sets up debt securities platfo...
Aims to extend investment opportunities for traders at bourse
SECP establishes first ever Business Centre
OUR STAFF REPORTER
ISLAMABAD
Online account opening for capital investors allowed
SECURED REGISTRY
Khan: Over 125,000 security interests have been recorded; it has allowed small businesses to obtain credit against movable assets
SECP Chairman Aamir Khan
The Nation
SECP revamps regulation to ensure EoDB, market expansio...
ISLAMABAD (Staff Reporter): The Securities and Exchange Commission of Pakistan has issued draft of amendments in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 for public consultation. In order to promote an enabling business environment and provide Ease of Doing Business (EODB), the SECP through these... ments,
SECP imposes huge penalty on B4U Group, sponsors
DAWN
Tech solutions approved for Regulatory Sandbox
By Our Staff Reporter
PAKISTAN TODAY
November 18, 2021
Parliament approves three SECP bills including companies amendment bill
SECP's sandbox a game changer?
SECP empowers 2 adjudication depts to impose penalties
SECP launches digitally certified true copies
STAFF REPORTER
ment and improve user experience through ... use of technology.
BUSINESS RECORDER
Wednesday, October 7, 2020
Exchange Traded Funds launched at PSX's gong ceremony
FINANCIAL INCLUSION
SECP approves Pakistan's fi... peer-to-peer lending platfo...
SECP decides to formulate digital assets law
SECP converts Covid-19 challenge into opportunities: Aamir
Pakistan OBSERVER
PSX performed well despite hard times: SECP chief
...5.4bn raised via IPOs and Right Shares
SECP approves framework for direct listing of companies at PSX
STAFF REPORTER
ISLAMABAD
Corporate Restructuring Companies Act 2016
Bill to facilitate revival of distressed assets, cos
SECP enables startups to offer Employee Stock Options Plan
STAFF REPORTER
ISLAMABAD

May 20, 2021

Guideli... for gen... bonds issued

DIGITAL CERTIFICATE

Pakistan joins league of 10 with central business registry

SECP's e-services in real-time upon incorporation of a company through a single window, and will simultaneously register the company with provincial departments, including Punjab Employees Social Security Institution, Sindh Employees Social Security Institution, labour and human resource departments and excise and taxation departments of Punjab and Sindh.

...rate account ...ning goes online

Staff Reporter

Regulatory framework for REITs

SECP chief reiterates resolve to reform

RECORDER REPORT

ISLAMABAD: Chairman Securities and Exchange Commission of Pakistan (SECP) Aamir Khan reiter...

24pc corporate growth witnessed despite Covid-19

SECP reports 39pc growth in cos incorporation in nine months

OUR STAFF REPORTER

ISLAMABAD

...ities and Exchange Co... ...stan (SECP) has wit... ...growth in co... ...on in nine mo... ...he current fis... ...s introduce... ...s and digit... ...first three ...20-21. SECP has ... ...9,251 companies, repr...

SECP eases REIT rules to boost construction project...

Capital market

SECP chief optimistic about investor base prospects

SOHAIL SARFRAZ

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) Chairman Aamir Khan has assured the overseas Pakistani investors that the collective efforts of the State Bank of Pakistan (SBP), the Pakistan Stock Exchange Limited (PSX), the National Clearing Company of Pakistan Limited (NCCPL)...

stagnant over the last decade. Through this endeavour, the capital markets are now in a position to play an enhanced role in serving as a conduit to channel the investments of our non-resident Pakistanis (NRPs) towards the regulated economy, in a swift and efficient manner.

A sizeable and diverse investor base is a critical cornerstone for development of any capital market.

capital formation, it is vital to introduce simplified and business-friendly laws.

Aamir Khan said that the major enabler for this broad-based reform agenda is "digitalisation".

"The pivotal role of innovation and automation in economic development is irrefutable, as it alone holds the key to revolutionizing the way we live, work, and communicate."

Occasional customers

SECP for further tightening of due diligence requirements

Reverse mergers trend returns to Pakistan

TRIBUNE

AIDING SMALL FIRMS

Khan: Secured Transactions Registry is landmark reform which will energise SMEs by improving access to finance

SECP Chairman **Aamir Khan**

The Nation

...X one of best performing markets in Asia

SECP makes legal, structural refo... for transparent capital marke...

Pension funds

SECP unveils new investment, allocation policy

...o implement gender ...olicies

SECP centralizes company's name reservation function

STAFF REPORTER

ISLAMABAD

The SECP, to further speedup the processing and bring uniformity in decision making, has centralized the function of approving applications of company's name reservation.

This is the first step towards centralization of various regulatory functions, currently performed at...

SECP issues guidelines on Convertible Debt Securities

By Our Staff Reporter

SECP grants licence to two new REITs

SOHAIL SARFRAZ

ISLAMABAD: ...

DAWN

Self-regulation

SECP aims to liberalise non-bank financial sector

KARACHI: In pursuance of its reforms agenda for reforming the non-bank financial services, the Securities and Exchange Commission of Pakistan (SECP) has issued draft...

handling mechanisms, improved customer experience and enhance research and development function. The draft regulations cover the parameters of registration and regulation...

Quick Read

Company incorporation process made fully electronic: SECP

ISLAMABAD (Staff Reporter): End to end automation of services through use of modern technology is the top priority on SECP's reform...

BUSINESS RECORDER

NPOs can get registered as self-regulatory entities: SECP

SECP takes a giant 'leap' to promote ease of doing business

KARACHI: End to end automation of services through use of modern technology is the top priority on SECP's reform agenda...

SECP set to promote FinTech environment in country: Aamir

جنگ

ایس ای سی پی کی جانب سے ڈیجیٹل سرٹیفکیٹ

SECP takes a giant 'LEAP' to promote ease of doing business

...end automation of services ...use of modern technology is the ...ity on SECP's reform

...cal certificate for all legal purposes. It includes various security features including SECP monogram, electronic se... of the registrar, QR code and a hyperli... for instant verification from SEC... record.

SECP's eServices integrated with Pakistan MNP database

KARACHI: To further improve the security of electronic filings and co... registration pro... Securities ... Commi...

SECP introduces digital onboarding mechanism

ISLAMABAD: As part of its efforts to usher in a new era of smart investments, the Securities and Exchange Commission of Pakistan (SECP) has introduced a digital onboarding mechanism for investors of the Asset Management Companies (AMCs). In this respect, SECP has issued Circular No 35 of...

tection and compliance with all the applicable relevant legal and regulatory framework.

Furthermore, the mechanism introduces digital verification for authentication of the investor and original identification documents through virtual meeting application (WhatsApp, Skype, etc) for online face to face interaction on real time basis. In...

Portal for expeditious bank account opening of corporates launched

STAFF REPORTER

ISLAMABAD

The Securities and Exchange Commission of Pakistan (SECP), in pursuance of its agenda to pro...

Pakistan OBSERVER

SECP Business Centre records 24pc growth in company incorporation

SECP allows digital accounts opening for mutual fund investors

OUR CORRESPONDENT

ISLAMABAD

The Securities and Exchange Commission of Pakistan (SECP), as part of its efforts to usher in a new era of smart...

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Abbreviations and Acronym

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	MMOU	Multilateral Memorandum of Understanding
ADB	Asian Development Bank	MTS	Margin Trading System
AMC	Asset Management Companies	MUFAP	Mutual Funds Industry of Pakistan
AOB	Audit Oversight Board	NBFCs	Non-Banking Financial Companies
APG	Asia Pacific Group	NBMFCs	Non-Banking Micro-Finance Companies
APRC	Asia Pacific Regional Committee	NCCPL	National Clearing Company of Pakistan Limited
ASOs	Authorized Surveying Officers	NCTA	National Counter Terrorism Authority
BOI	Board of Investment	NDM	Negotiated Deals Market
BPR	Business Process Re-Engineering	NFSC	National Financial Stability Council
CAREC	Central Asia Regional Economic Cooperation	NIC	National Incubation Center
CDC	Central Depository Company of Pakistan limited	NPAs	Non-Performing Assets
CEIFs	Centers of Excellence for Islamic finance	NRA	National Risk Assessment
CIR	Centralized Insurance Repository	NRV	NRP Rupee Value Account
CIS	Collective Investment Scheme	PCM	Professional Clearing Member
CKO	Centralized KYC Organization	PFM	Pension Fund Managers
CMB	Capital Markets Board	PHL	Power Holding Limited
CMC	Collateral Management Companies	PIB	Pakistan Investment Bonds
CRC	Corporate Restructuring Company	PMD	Pakistan Mobile Database
CRO	Company Registration Office	PMIC	Pakistan Microfinance Investment Company
DFID	Department for International Development	PMN	Pakistan Microfinance Network
DFM	Deliverable Futures Market	PMRC	Pakistan Mortgage Refinance Company
DNFBPs	Designated Non-Financial Business and Professions	RDA	Roshan Digital Account
EOBI	Employees Old Age Benefits Institution	REITs	Real Estate Investment Trusts
ETFs	Exchange Traded Funds	ROSC	Reports on the Observance of Standards and Codes
FATF	Financial Action Task Force	SAB	Shariah Advisory Board
FMU	Financial Monitoring Unit	SAFA	South Asian Federation of Accountants
GEM	Growth Enterprise Market	SCRA	Specialized Companies Returns Account
HFCs	Housing Finance Companies	SCRS	Specialized Companies Returns System
IAIS	International Association of Insurance Supervisors	SGF	Settlement Guarantee Fund
IAs	Investment Advisors	SLB	Securities Lending & Borrowing
ICAP	Institute of Chartered Accountants of Pakistan	SMEs	Small & Medium Enterprises
IFMP	Institute of Financial Markets of Pakistan	SSRC	Small Disputes Resolution Committees
IFSB	Islamic Financial Services Board	STA	Financial Institutions (Secured Transactions) Act, 2016
IIRA	Islamic International Rating Agency	STR	Secured Transactions Registry
IOSCO	International Organization of Securities Commissions	System	National Clearing and Settlement System
IPO	Initial Public Offering	TCI	Technical Committee on Insurance
ISO	International Organization for Standardization	UIN	Unique Identification Number
LEAP	Leading Efficiency through Automation Prowess'	UNCAC	United Nations Convention against Corruption
MER	Mutual Evaluation Report	VC	Venture Capital
MFI	Microfinance Institutions	XBRL	Extensible Business Reporting Language

Declaration of Investments

Disclosure of investment by Commissioners of the Securities and Exchange Commission of Pakistan in pursuance of sub-section (6) of section 16 of the SECP of Pakistan Act, 1997. These disclosures were made on June 30, 2021.

Aamir Khan

Sr. No	Name of Fund	Nature of Interest	Number of units As on 30th June, 2021
1	UBL Fund	URSF - EQUITY SUB FUND(URSF-ESF)	3,795
2	UBL Fund	UBL STOCK ADVANTAGE FUND(USF)	55,832
3	UBL Fund	UBL MONEY MARKET FUND(MMF)	38,614
4	Al-Meezan	MTPF EQUITY SUB FUND	17,845
5	Al-Meezan	MTPF DEBIT SUB FUND	4,278

Farrukh H. Sabzwari

Sr. No	Name of Fund/CDC's Individual Investor Account	Nature of Interest	Number of units As on 30th June, 2021
1	MCF – Al Meezan Investment Management Ltd.	Growth – C	173,573.9989
2	MIF – Al Meezan Investment Management Ltd.	Growth – B	138,534.7333
3	BMA Chundrigar Road Savings Fund	Investment Account	111,020.1455
4	UBL-Al-Ameen Islamic Retirement Savings Fund	Investment Account	3,838.3471
5	Al-Ameen Shariah Stock Funds	Investment Account	89,451.9186
6	Agp limited		10,000
7	Adamjee insurance company limited		45,586
8	Bank al habib limited		41,496
9	B.R.R. Guardian modaraba		610
10	Century paper & board mills limited		33,120
11	Crescent steel & allied products limited		2,000
12	Dolmen city reit		66,500
13	D.G. Khan cement company limited		5,000
14	Dewan salman fibre limited - freeze		20
15	Engro fertilizers limited		57,000
16	Engro corporation limited		1,650

17	Engro polymer & chemicals limited	50,000
18	Engro powergen qadirpur limited	16,500
19	Fauji fertilizer bin qasim limited	50,000
20	Fauji fertilizer company limited	40,625
21	Gatron (industries) limited	500
22	Habib bank limited	10,000
23	Habib metropolitan bank limited	52,200
24	The hub power company limited	63,500
25	Hum network limited	50,000
26	Ici pakistan limited	1,000
27	Kot addu power company limited	1,500
28	K-electric limited	450,000
29	Lotte chemical pakistan limited	100,000
30	Lalpir power limited	25,000
31	Mcb bank limited	12,025
32	Meezan bank limited	13,310
33	National bank of pakistan	26,090
34	Nishat (chunian) limited	60,000
35	Nishat chunian power limited	25,000
36	Nishat mills limited	17,000
37	Nishat power limited	25,000
38	Oil & gas development company limited	25,000
39	Orix modaraba	197
40	Pak elektron limited	29,920
41	First prudential modaraba	8,729
42	Pakistan petroleum limited	39,704
43	Pakistan telecommunication company ltd.	300
44	Soneri bank ltd.	10,738
45	Sui northern gas pipelines limited	720
46	Sui southern gas company limited	5,906
47	United bank limited	7,500

Sadia Khan		
Sr. No	**Name of Fund**	**Number of Units as on 30th June, 2021**
1	Pakistan Cables*	10,002
2	Siemens Pakistan*	500
3	Habib Bank Ltd*	100
4	Delta Shipping (Pvt) Limited**	1,691
5	Delta Transport (Pvt) Limited**	10,000

** These shares were bought as Qualification shares at the time of being inducted as an Independent director in these companies and will be disposed of over time.*

*** Family business concerns. Shares were allotted at the time of service with the business concerns.*

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