

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad the 30th November, 2023

NOTIFICATION

S.R.O. 1743 (I)/2023.- The following draft amendments to the Modaraba Regulations, 2021 proposed to be made by the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred by section 41A of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), is hereby published for information of all the persons likely to be affected thereby and, notice is hereby given that objections or suggestions, if any, thereon received within fourteen days from date of publication in the official Gazette may be taken in to consideration by the Commission, namely:-

DRAFT AMENDMENTS

In the aforesaid Regulations, -

- (1) in regulation 11, in sub-regulation (1), for the expression "10%" the expression "20%" shall be substituted;
- (2) in regulation 14, in sub-regulation (1), in the first proviso, for the full stop a colon shall be substituted and thereafter the following new proviso shall be inserted, namely: -

"Provided that after adoption and implementation of IFRS 9, the requirements of IFRS 9 shall be applicable.";

- (3) in regulation 17, in sub-regulation (4), after clause (j), the following new clause shall be inserted, namely: -

“(k) All advertisements for any invitation for investment in COM, either through advertisement by print, electronic or social media outlets or any other form or channel to the public or through private placement shall at the minimum contain the following information-

- (a) credit rating of the modaraba, the name of the rating agency, the date on which the credit rating was issued;
- (b) minimum and maximum tenor of the COM;
- (c) expected profit rate to be paid on the COM; and
- (d) All advertisements for inviting a person to invest in a COM scheme of a modaraba must contain the following disclaimer:

“The COM of modaraba are subject to various risks including credit and liquidity risk. The prospective investors are advised to conduct their own due diligence prior to investing in COM of the modaraba”, development or construction purposes, where such

a purpose or objective is provided in the approved prospectus of a modaraba.”;

- (4) regulation 18 shall be omitted; and
- (5) in regulation 26, –

- (a) in sub-regulation (1), in clause (a), for the semi colon a colon shall be substituted and thereafter the following new proviso shall be inserted namely: -

“Provided that the modaraba company shall, within a period of thirty days, submit an application complete in all respects, for obtaining approval for appointment of the new chief executive.”; and

- (b) after sub-regulation (2), the following new sub-regulation shall be inserted, namely: -

“(3) A modaraba company shall ensure compliance while appointing independent directors on its board. An independent director shall be selected from the data bank of the institutions / bodies notified by the Commission in accordance with section 166 of the Companies Act, 2017 (XIX of 2017).”.



(Bilal Rasul)

Secretary to the Commission