

**GOVERNMENT OF PAKISTAN**  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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*Islamabad, the 15<sup>th</sup> April, 2022*

**NOTIFICATION**

**S.R.O. 529 (I)/2022.**- 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 Modaraba Companies and Modaraba (Floatation and control) Ordinance, 1980 (XXXI of 1980), is hereby published for information of all 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 2, in sub-regulation (1), in clause (ix), sub-clause (c) shall be omitted;
- (2) in regulation 3, in sub-regulation (1), for the colon at the end full stop shall be substituted and thereafter the proviso shall be omitted;
- (3) in regulation 9, in sub-regulation (1), for clause (xii), the following shall be substituted, namely: -

“(xii) hold, deal or trade in speculative or risky real estate:

Provided that a modaraba may hold, deal or trade in real estate for development or construction purposes, where such a purpose or objective is provided in the approved prospectus of a modaraba;”;

- (4) in regulation 10, in clause (iii) for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be inserted, namely: -

“Provided that the Commission may, on an application by the modaraba Company, relax the above conditions where a modaraba is engaged in venture capital financing, as set out in its approved prospectus.”;

- (5) in regulation 11, in sub-regulation (1), -

(a) for the expression “20 million” the expression “50 million” shall be substituted; and

(b) for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely: -

“Provided that the total housing finance portfolio of the Modaraba shall not increase ten percent (10%) of the total portfolio of the Modaraba.”;

(6) for regulation 13, the following shall be substituted, namely: -

**“13. Creation and building up of reserve.-** (1) Every modaraba may create reserve fund to which shall be credited an amount of its after-tax profits or any part thereof.

(2) A modaraba, which is not compliant with minimum equity requirements provided in these regulations, shall create reserve fund to which shall be credit an amount equivalent to one hundred percent of its annual after tax profit till such time the minimum equity requirements are complied with.

Explanation. - Issuance of bonus shares may be made from the above-mentioned reserves since such bonus shares will increase the paid up capital.”;

(7) in regulation 17, -

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

“Provided that a modaraba that has already raised funds through COM on the date of notification of these regulations, shall-

- (i) gradually enhance its minimum equity to an amount as provided in clause (b), within a period of three years from the date of notification of these regulations;
- (ii) submit to the Commission, a time-bound action plan with quarterly targets, with approval of its board of directors;
- (iii) ensure that the said quarterly targets are met in a timely manner; and
- (iv) ensure maintenance of minimum credit rating as provided in clause (f), within a period of three years from the date of notification of these regulations:

Provided further that in cases of non-compliance with the conditions as stipulated under the first proviso, the permission granted to the modaraba to raise funds through COM shall be liable for cancellation.”; and

(b) in sub-regulation (4), in clause (j), in the second proviso, for the full stop a colon shall be substituted and thereafter the following new proviso shall be added, namely: -

“Provided also that a modaraba that has already raised funds through COM on the date of notification of these regulations, shall ensure that such investments are made by June 30, 2022.”;

- (8) in regulation 26, in sub-regulation (1), in clause (c), for the expression “within 10” the expression “at the earliest but not later than ninety” shall be substituted;
- (9) in regulation 31, for sub-regulation (11), the following shall be substituted, namely: -

“(11) The modaraba company shall provide office space to the modaraba but shall not charge rental cost of its registered office place to the Modaraba on any account.”;

- (10) in regulation 32, for the expression “shall distribute 90% of” the expression “may distribute” shall be substituted; and
- (11) after regulation 34, the following new regulation shall be inserted, namely: -

**“34A. Penalty. -** (1) If any person-

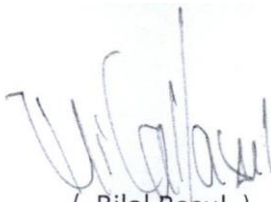
- (a) refuses or fails to furnish/file any document, return or information which he is required to furnish by or under these regulations; or
- (b) refuses or fails to comply with any condition(s) imposed under these regulations; or
- (c) contravenes or otherwise fails to comply with any provision of these regulations,

the Registrar, may, after giving the person an opportunity of being heard, impose such penalty which may extend to one hundred thousand rupees and, where the contravention is a continuing one, with a further penalty which may extend to one thousand rupees for every day after the first during which such contravention continues.

- (2) Any person aggrieved by an order passed under sub-regulation (1) may, within thirty days of such order, prefer an appeal to the Commission.”.

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( Bilal Rasul )  
Secretary to the Commission