

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 21st November , 2007

NOTIFICATION

S.R.O. 1131 (I)/2007.- In exercise of the powers conferred by section 282B of the Companies Ordinance, 1984 (XLVII of 1984), read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan, with the approval of the Federal Government, hereby makes the following amendments in the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003, namely:-

In the aforesaid Rules, -

- (1) in rule 2, in sub-rule (1), -
 - (i) clause (i) and (ii) shall be omitted;
 - (ii) in clause (iii), for the words “open-ended schemes and include offering of investment schemes under trust deeds and issue of redeemable securities” the words “collective investment schemes” shall be substituted;
 - (iii) in clause (iv),-
 - (a) after the word “kinds” the words and comma “tangible or intangible,” shall be inserted;

- (b) after the word “shares” the words and commas “units, certificates,” shall be inserted;
- (c) for the word “contracts” the words and comma “derivatives contract,” shall be inserted; and
- (d) after the word “contingent” the comma and words “, the beneficial ownership of which vests in the shareholders of an investment company or certificate holders of a close-end scheme or unit holders of open-ended schemes” shall be omitted;
- (iv) in clause (v), for the words “include associated issuer, associated client, companies”, the words “means associated companies” shall be substituted;
- (v) for clause (vi) the following shall be substituted, namely:-
 - “(vi) “brokerage business” means the services being provided by a broker registered under the Brokers and Agents Registration Rules, 2001;”;
- (vi) for clause (vii), the following shall be substituted, namely:-
 - “(vii) “central depository company” means central depository as defined under the Securities and Exchange Ordinance, 1969 (XVII of 1969);”;
- (vii) clause (viii) shall be omitted;
- (viii) in clause (xi), for the words “and minor children” the comma and words “, lineal ascendants and descendants and brothers and sisters” shall be substituted;

- (ix) in clause (xii), for the word “includes”, the word “means” shall be substituted;
- (x) in clause (xiv), for the word “incorporated”, the words “as defined” shall be substituted;
- (xi) for clause (xv), the following shall be substituted, namely:-
 - “(xv) “connected person” in relation to an NBFC or a collective investment scheme, means,-
 - (a) any person or trust beneficially owning, directly or indirectly, ten percent or more of capital of the NBFC or the collective investment scheme;
 - (b) any person able to exercise, directly or indirectly, ten percent or more of the total voting power in that NBFC or the collective investment scheme;
 - (c) a collective investment scheme being managed by an NBFC;
 - (d) the NBFC managing a collective investment scheme;
 - (e) a trustee or custodian of the collective investment scheme;
 - (f) any person or trust controlled by a person who or which meets the descriptions given in sub-clause (a) to (e);
 - (g) any member of the group of which that person, or trust forms part; and

(h) any director or officer of that NBFC or the investment company being managed by that NBFC or of any of their connected persons as specified in sub-clauses (a) to (g);

(xii) in clause (xvi),-

(a) for the word “mean”, the word “means” shall be substituted;

(b) after the word “the” occurring for the first time, the words “trust deed, offering documents and other” shall be inserted; and

(c) for the word “and”, the word “including” shall be substituted;

(xiii) for clause (xvii), the following shall be substituted, namely:-

“(xvii) “custodian” includes a bank licensed under the Banking Companies Ordinance, 1962 (LVII of 1962) or a trust company which is a subsidiary of such bank or a central depository company approved by the Commission or an NBFC carrying out investment finance services provided it has been approved by the Commission to act as custodian or such other company as may be approved by the Commission to act as custodian;”;

(xiv) after clause (xvii), substituted as aforesaid, the following new clause shall be inserted, namely:-

“(xviiia) “discounting services” means the services relating to the discounting of financial instruments;”;

(xv) clause (xviii) shall be omitted;

(xvi) in clause (xix),-

- (a) after the word “reserves”, the comma and words “, subordinated loans” shall be inserted;
- (b) after the word “profits”, the brackets and the words “(minus accumulated losses)” shall be inserted;
- (c) for the word “and” occurring for the second time, a comma shall be substituted;
- (d) after the word “stocks”, the words “and redeemable preference shares” shall be inserted; and
- (e) for the semicolon, at the end, a colon shall be substituted and thereafter the following explanation shall be inserted, namely:-
- “Explanation.- For the purpose of this clause the expression “subordinated loans” means loans given or arranged by the sponsors, free of cost, to meet any short fall in the minimum equity requirement specified under these rules;”;
- (xvii) in clause (xx), for the words and commas “guarantees, indemnities, letters”, the words and commas “guarantee, indemnity, letter” shall be substituted;
- (xviii) after clause (xxi), the following new clauses shall be inserted, namely:-
- “(xxia) “forms of business” means any of the forms of business specified in clause (a) of section 282A of the Ordinance;
- “(xxib) “group” means persons, whether natural or legal, if one of them or his close relatives, in case of a natural person, or, its subsidiary or associated company, if it is a legal person, have control or hold substantial ownership interest or have power to exercise significant

influence over the other. For the purpose of this clause the expression-

(a) subsidiary shall have the same meaning as defined in subsection (2) of section 3 of the Ordinance;

(b) control shall have the same meaning as defined in section 2 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 (CIII of 2002);

(c) substantial ownership means beneficial shareholding of ten percent by a person or by close relative; and

(d)“significant influence” refers to the management control of the company or the ability to participate in financial and operating policies, either exercised by representation on the Board of Directors, through partnership or by statute or by agreement in the policy making process;”;

(xix) clause (xxii) shall be omitted;

(xx) for clause (xxiii), the following shall be substituted, namely:-

“(xxiii) “housing finance services” means the loan provided to individuals for the purchase of residential house or apartment or land including the facilities availed for the purpose of making improvements in house or apartment or land;”;

(xxi) clause (xxiv) shall be omitted;

(xxii) for clause (xxv), the following shall be substituted, namely:-

“(xxv) “investment advisory services” means the services provided for, managing discretionary or non-discretionary portfolios for both individual and institutional clients and include the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling of securities, for remuneration;”;

(xxiii) for clause (xxvi), the following shall be substituted, namely:-

“(xxvi) “investment company” means a company registered with the Commission under the Ordinance in accordance with such criteria as may be specified by the Commission by notification in the official Gazette;”;

(xxiv) clause (xxvii) shall be omitted;

(xxv) in clause (xxviii), for the words and figure “described in rule 14”, the words “specified by the Commission by notification in the official Gazette” shall be substituted;

(xxvi) in clause (xxix),-

(a) the comma after the word “basis” shall be omitted; and

(b) for the words and figure “International Accounting Standard -17”, the brackets and the words “(in accordance with applicable International Accounting Standards) or any other admissible mode determined by the Commission from time to time” shall be substituted;

(xxvii) clauses (xxx) and (xxxi) shall be omitted;

(xxviii)for clause (xxxii) the following shall be substituted, namely:-

“(xxxii) “major shareholder” means a person who, individually or in concert with his family or as part of a group, holds ten percent or more shares having voting rights of the paid-up capital of the company;”;

(xxix) for clause (xxxiii), the following shall be substituted, namely:-

“(xxxiii) “NBFC” means a non-banking finance company as defined in clause (a) of section 282A of the Ordinance;”;

(xxx) for clause (xxxiv), the following shall be substituted, namely:-

“(xxxiv) “net assets”, in relation to a collective investment scheme, means the excess of assets over liabilities of the collective investment scheme, such excess being computed in the manner specified by the Commission by notification in the official Gazette;”;

(xxxv) clause (xxxv) and (xxxvi) shall be omitted;

(xxxii) for clause (xxxvii), the following shall be substituted, namely:-

“(xxxvii) “open-end scheme” means a scheme constituted by way of a trust deed that continuously offers for sale its units as specified in the constitutive document that entitle the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges;”;

(xxxiii) in clause (xxxix), for the word “juridical”, the word “legal” shall be substituted;

(xxxiv) after clause (xxxix), amended as aforesaid, the following new clause shall be inserted, namely:-

“(xxxixa) “promoter or sponsor” means a person who has made an application to the Commission to form an NBFC under rule 4

and has contributed initial capital in the proposed company or a person who replaces him;”;

(xxxv) for clause (xl), the following shall be substituted, namely:-

“(xl) “records” mean all documentary and electronic materials created, generated, sent, communicated, received or stored, regardless of physical form or characteristics;”;

(xxxvi) for clause (xli), the following shall be substituted, namely:-

“(xli) “regulations” means the regulations made by the Commission in exercise of its powers under Part VIIIA of the Ordinance;”;

(xxxvii) clause (xlili) shall be omitted;

(xxxviii) in clause (xlv),-

(a) the words “means a company appointed as a trustee and” shall be omitted;

(b) the words “banking institution incorporated outside Pakistan acceptable to the Commission or a” shall be omitted; and

(c) after the word “trustee” occurring for the second time, the words “or such other company or trust as may be approved by the Commission to act as trustee” shall be inserted; and

(xxxix) clause (xlvi), (xlvii), (xlviii), (xlix) and (l) shall be omitted.

(2) in rule 3,-

- (i) in the heading, for the word “conditions”, the word “criteria” shall be substituted;
 - (ii) for the word “sponsors” occurring for the first time, the word “promoters” shall be substituted;
 - (iii) the word “following” shall be omitted;
 - (iv) after the words “terms and conditions”, the words “mentioned in the fit and proper criteria as may be specified by the Commission by notification in the official Gazette and complies with the requirements of the Ordinance, these rules and the regulations made under the Ordinance” shall be inserted;
 - (v) the word “namely” shall be omitted; and
 - (vi) the paragraphs (a) to (g) shall be omitted.
- (3) in rule 4,-
- (i) in sub-rule (1), for the words, “amounting to one hundred thousand rupees”, the words “as may be specified by the Commission by notification in the official Gazette” shall be substituted;
 - (ii) in sub-rule (2),
 - (a) the word “may” shall be omitted;
 - (b) for the words and comma “terms and conditions specified in rule 3,”, the words and comma “criteria in terms of rule 3 and the regulations, may” shall be substituted; and

- (iii) in sub-rule (3), for the words “under the Ordinance”, the words “or any other form of company as may be specified by the Commission by notification in the official Gazette” shall be substituted.
- (4) For rule 5, the following shall be substituted, namely:-,-
- “5. Conditions for grant of licence.-** (1) An NBFC shall make separate applications to the Commission for grant of licence for carrying out different forms of business. The said application shall be submitted to the Commission in Form-II along with a non-refundable processing fee as may be specified by the Commission by notification in the official Gazette for each licence.

(2) An NBFC seeking licence for undertaking investment advisory or asset management services or both shall not be eligible for seeking licence for any other form of business.

Explanation.- (i) For the purpose of sub-rule (2), the Commission may issue a licence for asset management services to manage only closed-end funds.

(ii) All existing NBFCs licensed to provide investment advisory services that are managing closed-end funds shall, within six months of the coming into effect of this provision, apply for an asset management services licence to manage closed-end funds.

(3) An NBFC licenced to carry out asset management services shall be eligible, subject to the criteria as may be specified by notification in the official Gazette, to undertake pension fund scheme business as specified by the Federal Government to be a form of business in terms of section 282A of the Ordinance.

(4) An NBFC seeking licence for undertaking investment finance services or leasing or housing finance services or discounting services or all of the said forms of business shall not be eligible for seeking licence for any other form of business

Explanation.- For the purpose of sub-rule (3), licence granted for investment finance services shall be valid for undertaking discounting services, and separate licence for undertaking discounting services shall not be required.

(5) All existing NBFCs shall comply with the requirements set out in sub-rule (2) and (3) within a period of one year from the date of coming into effect of this provision or any other time as may be specified by the Commission by notification in the official Gazette.

(6) The Commission, after making necessary inquiries and after obtaining such further information, as it may consider necessary, and if it is satisfied that the company has fulfilled the criteria in terms of rule 3 and the regulations, and that the promoters thereof are persons of means and integrity having knowledge of matters which the company may have to deal with, in respect of the forms of businesses for which the licence is being sought, shall grant licence to such company in Form-III for one or more of the forms of businesses subject to compliance of the following conditions, namely:-

- (a) the company is incorporated as a public limited company or such other form of company as may be specified by the Commission by notification in the official Gazette;
- (b) the company is not part of a group of companies already holding a licence, under these rules, for the same form of business ;

- (c) the company has minimum equity as may be specified by the Commission by notification in the official Gazette, in respect of each form of business;
- (d) the company has allotted at least twenty five percent of the paid-up share capital to the promoters;
- (e) the company's promoters or majority shareholders and directors have deposited their shares with Central Depository Company of Pakistan Limited in an account marked as blocked and such shares shall not be sold or transferred without prior approval of the Commission and shall be kept unencumbered. In case of physical shares lodged with the Commission, such shares shall be in a jumbo lot duly stamped as "Not to be sold or transferred without prior approval of the Commission and shall be kept unencumbered;
- (f) the company's promoters or majority shareholders and directors have given an undertaking that they shall not enter into any agreement for sale or transfer of their shares in any manner without prior approval of the Commission;
- (g) the company appoints its chief executive who does not hold such office in any other company except for an investment company being managed by the said company, provided that prior approval of the Commission has been obtained in this regard;
- (h) the company has given an undertaking that no change in the Memorandum of Association, other than increase in the authorised share capital, shall be made without prior approval of the Commission;

- (i) the company has given an undertaking that the conditions as set out in these rules, the regulations or prudential regulations or any direction given by the Commission shall be duly complied with; and
- (j) the company has furnished an undertaking that within ninety days of the grant of certificate of registration it shall furnish evidence to the satisfaction of the Commission that the personnel employed by it for executive positions, research or other related functions possess sufficient educational qualifications and professional experience to undertake the proposed form of business of the NBFC.

(7) Without prejudice to the conditions prescribed under sub-rule (6) above, the Commission may, while granting licence, impose such additional conditions, as it may deem necessary.

(8) The licence granted to the NBFC shall be valid for one year from the date of its issuance and shall be renewable upon expiry of the said period by making an application at least one month prior to the expiry as set out in Form IV along with payment of a fee as specified by the Commission by notification in the official Gazette.

(9) The Commission may, after making such inquiry and after obtaining such further information, as it may consider necessary, renew the licence of such NBFC, for one year in Form V on such conditions, as it may deem necessary:

Provided that till such time that the licence is renewed, the existing licence shall be deemed valid for the purposes of these rules and the regulations unless the company fails to apply as specified in sub-rule (8) and fulfills all the requirements to the satisfaction of the Commission for the grant of a licence:

Provided further that if the company fails to apply within the stipulated time period and fulfills all the requirements to the satisfaction of the Commission its licence shall stand cancelled and the Commission may initiate further proceedings to give effect to the cancellation.

(10) Every company in existence which is engaged in one or more forms of businesses shall apply in writing to the Commission, as provided by sub-section (3) of section 282C of the Ordinance, for grant of a licence along with a non-refundable processing fee as specified by the Commission:

Provided that till such time that a new licence is issued, the existing licences or registrations shall be deemed to be valid for the purposes of these rules unless the company fails to apply for licence as specified in sub-rule (8) or the Commission declines to grant such licence for reasons to be recorded in writing.”.

(5) in rule 6,-

(i) for sub-rule (1), the following shall be substituted, namely,-

“(1) An NBFC shall commence or continue its business and operations only after it has complied with the requirements of these rules and the regulations and has been issued a licence to carry out a form of business.”; and

(ii) after sub-rule (2), the following new sub-rule shall be inserted, namely:-

“(3) If an NBFC fails to commence business within one year of the issuance of licence, the licence shall be deemed to be cancelled or otherwise as specified by the Commission by notification in the official Gazette.”.

(6) In rule 7,-

- (i) in sub-rule (1),-
- (a) in clause (a), after the word “records”, the commas and words “, as prescribed under the Ordinance,” shall be inserted;
 - (b) for the word “picture”, the word “view” shall be substituted;
 - (c) in sub-clause (i), for the word “book”, the word “books” shall be substituted;
 - (d) in sub-clause (ii), after the word “expenses”, the words “along with all supporting documents or records” shall be inserted;
 - (e) in sub-clause (v), after the word “directors”, the words and commas “and all relevant committees including the audit committee, credit committee and investment committee” shall be inserted;
 - (f) in sub-clause (vi), after the semicolon, the word “and” shall be omitted;
 - (g) in clause (b), after the word “records”, the words and comma “, as prescribed under the Ordinance, to depict a true and fair view of its state of affairs” shall be inserted;
 - (h) after clause (b), the following new clause shall be inserted, namely:-
 - “(ba) ensure that its statutory auditors are from the approved list of auditors circulated by the Commission;”
 - (i) for clause (c), the following shall be substituted, namely:-
 - “(c) appoint an individual, having minimum three years experience, as its financial or chief accounting officer who is-

- (i) a chartered accountant; or
 - (ii) a cost and management accountant; or
 - (iii) a member of a recognized foreign accountancy organization; or
 - (iv) a person having master's degree in commerce or business administration with specialization in finance;”;
- (j) after clause (c), as amended hereinabove the following new clauses shall be inserted, namely:-

“(ca) appoint;

- (i) a person having minimum three years experience as internal auditor who is-
 - (a) a chartered accountant; or
 - (b) a cost and management accountant; or a certified internal auditor; or
 - (c) a certified information system auditor; or
 - (d) a member of a recognized foreign accountancy organization; or
 - (e) an individual having master's degree in commerce or business administration with specialization in finance; or
- (ii) a chartered accountancy firm having satisfactory Quality

Control Review (QCR) and not being the statutory auditors to whom this function is outsourced;

- (cb) appoint a person as compliance officer to ensure reporting to the Commission of status of compliance with the existing regulatory framework by the NBFC;
- (cc) appoint such executives who shall fulfill the terms and conditions mentioned in the fit and proper criteria specified by the Commission by notification in the official Gazette;
- (cd) appoint-
 - (i) at least one third of its directors who shall be independent directors; and

Provided that at least two of its directors, excluding the chief executive officer, shall have relevant experience of at least five years at a senior management level in the financial sector;

Explanation.- For the purpose of this sub-clause, the expression "independent director" means a director who is not connected with the company or its promoters or directors on the basis of family relationship and who does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, directors, executives or related parties. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment

without being subservient to any apparent form of interference.

Provided further that the Commission shall be the final authority to determine the status of a director as independent or otherwise;”;

(k) after clause (d), the following new clauses shall be inserted, namely:-

“(da) furnish to the Commission within one month of the close of first and third quarter and within two months of the close of second quarter of the year of account of its financial year, a balance sheet along with an income statement, cash flow statement and the statement of changes in equity for the respective quarters, whether audited or otherwise;

(db) furnish a copy of its annual report together with copies of the balance sheet, income statement, cash flow statement and statement of changes in equity along with the auditors report to the Commission or any other person as required by the Commission within three months of the close of the accounting period;”;

(l) for clause (e), the following shall be substituted, namely:-

“(e) separately disclose in relevant notes to its quarterly and annual accounts all those facilities and exposures whose carrying value exceeds twenty percent of its equity;”;

(m) clause (f) shall be omitted; and

(n) in clause (g), for the full stop, at the end, a semicolon shall be substituted and thereafter the following new clauses shall be inserted, namely:-

“(h) obtain credit rating and, management quality rating, wherever applicable as and when it becomes eligible for rating as per the rating criteria of a rating agency registered with the Commission, and such rating shall be updated at least once every financial year:

Provided that the NBFC shall within one year of the decrease in its rating from the grade specified by the Commission by notification in the official Gazette, obtain a fresh rating and during the period that its rating is below the grade so specified, the NBFC may be allowed by the Commission to continue its operations on such conditions as are deemed appropriate by the Commission;

(i) publish the credit rating and management quality rating, as the case may be, in its annual report and quarterly reports, annual and quarterly reports of the collective investment schemes managed by the NBFC, if applicable, and any advertisement and brochures in relation to promotion of its business; and

(j) acquire and maintain membership of the relevant association and follow the code of conduct specified by the said association approved by the Commission.”;

(ii) in sub-rule (2),-

(a) for clause (a), the following shall be substituted, namely:-

“(a) appoint as directors persons who hold such office in any other NBFC licensed for the same form of business.

Provided that this clause shall not apply to the nominees of the Federal or Provincial Governments on the board of any NBFC or, any exception specified by the Commission;”;

(b) after the clause (a), substituted as aforesaid, the following new clause shall be inserted, namely:-

“(aa) appoint or change its chief executive or any of its directors subject to fulfilment of the fit and proper criteria and prior approval of the Commission provided that the Commission may refuse appointment of any person without assigning any reason;

Explanation.- This clause shall not apply to a director nominated by the Federal Government or Provincial Governments;

(c) for clause (b), the following shall be substituted, namely:-

“(b) purchase anything from, or sell anything to any director, officer, employee of the NBFC or to a person who either individually or in concert with close relatives beneficially owns ten percent or more either of the equity or other securities with voting rights, if any, issued by such NBFC;

Provided that this restriction shall not apply to such NBFCs that have a policy to this effect duly approved by their board of directors:

Provided further that in case of any sale and purchase to the directors the prior approval in writing of the board, excluding the participation of the beneficiary directors, is required;”;

(d) for clause (c), the following shall be substituted, namely:-

“(c) sell or transfer ownership of shares in subsidiary or associated company, merge with, acquire or takeover any other company unless

it has obtained prior approval of the Commission in writing to such sale or transfer or scheme of merger, acquisition or takeover;”;

(e) after clause (c), substituted as aforesaid, the following new clause shall be inserted, namely:-

“(ca) make investment in its subsidiary except out of its surplus equity (i.e. over and above the specified minimum equity requirement for the licences held by such NBFC);”;

(f) clause (d) shall be omitted;

(g) for clause (e), the following shall be substituted, namely:-

“(e) enter into transactions with any broker which exceed ten percent of the total brokerage expense of the NBFC in any one accounting year

Provided that the NBFC shall not have a common director or officer or employee with the broker;”;

(h) clause (g) shall be omitted;

(i) for clause (h), the following shall be substituted, namely:-

“(h) make an investment in unquoted shares of any company in excess of twenty percent of its equity. Unquoted investment shall be approved in a board meeting after carefully analyzing the merits and financial impact of the investment and recording the decision in detail in minutes of the meeting and such decisions shall be communicated to the Commission within fourteen days of the board meeting along with copy of the minutes;

Provided further that all existing NBFCs, who have investment in unquoted shares exceeding twenty percent of their

equity , shall bring such investments down to twenty percent within a period of six months from the date of this provision taking effect.

Provided also that an investment by an NBFC out of its surplus equity (i.e. over and above the minimum specified regulatory requirement for the licences held by the NBFC) in its wholly owned subsidiaries, for undertaking a form of business, shall not be taken into account for calculating the limit for unquoted shares;”;

(j) in clause (i), after the word and full stop “securities”, occurring for the second time, the words and semicolon “unless otherwise specified by the Commission by notification in the official Gazette” shall be inserted;

(k) after clause (i), amended as aforesaid, the following new clauses shall be inserted, namely:-

- “(j) hold, deal or trade in real estate except for the use of NBFC itself or where specified by the Commission by notification in the official Gazette;
- (k) raise funds in any form from individuals except as specified by the Commission by notification in the official Gazette;
- (l) provide unsecured facilities or exposures except as specified by the Commission by notification in the official Gazette;
- (m) encumber or mortgage or pledge or transfer clients’ assets deposited as security with the NBFC against any facility extended to the client, for securing its own obligation; and
- (n) undertake the brokerage business in capital market except by forming a separate company for this purpose:

Provided that the NBFCs already engaged in brokerage business shall comply with this requirement within a period of one year of coming into effect of this provision.”; and

(iii) for sub-rule (3), the following shall be substituted, namely:-

“(3) An NBFC shall comply with such minimum equity requirement in respect of each form of business specified by the Commission from time to time by notification in the official Gazette.”.

(7) after rule 7, amended as aforesaid, the following new rule shall be inserted, namely:-

“**7A. Monitoring fee.**- An NBFC engaged in deposit taking shall, within three months of the close of its financial year, pay to the Commission an annual fee as may be specified by the Commission by notification in the official Gazette.”.

(8) for rule 8, the following shall be substituted, namely:-

“**8. Opening or closure of bank account, account with a broker or branch.**- Opening or closure of any bank accounts, account with a broker or branches of an NBFC shall be approved in a board meeting by the board of directors of the NBFC after carefully analyzing its merits and financial impact and the reasons must be recorded in the minutes of board meeting. Such decisions and minutes of the board meeting shall be communicated to the Commission within fourteen days of the said meeting.”.

(9) in rule 9, for the colon at the end, a full stop shall be substituted and thereafter the proviso shall be omitted.

(10) after rule 10, the following new rule shall be inserted, namely:-

“**10A. Transitional provisions.**- Within one year from the coming into force of these provisions, all NBFCs shall alter their memoranda and articles of association or any existing contract or agreement and shall take such other actions as are necessary to bring the memoranda and articles of association and working procedures of the NBFC in conformity with the provisions of these rules:

Provided that, notwithstanding the fact that such actions have not been taken or such changes have not been made, the NBFC shall comply with the provisions of these rules as if they are licensed or registered under these rules.”.

- (11) rule 11 to rule 86 shall be omitted.
- (12) for the word “open-ended”, wherever occurring, the word “open-end” shall be substituted.
- (13) in Form I, for the words, letters and figure “one hundred thousand”, the words and figure “five hundred thousand” shall be substituted.
- (14) in the Annexure to Form I,-
 - (i) in paragraph number 6, for the words “five years”, the words “one year” shall be substituted;
 - (ii) after paragraph number 10, the following new paragraph shall be inserted, namely:-

“11. Latest CIB report in respect of sponsors (individuals and institutions) as an evidence for statement in clause (b) of paragraph 10.”.
- (15) in Form II,-
 - (i) in paragraph 5,-
 - (a) for the words, letters and figure “one hundred thousand”, the words and figure “two hundred and fifty thousand ” shall be substituted; and
 - (b) after the word “fee”, the words “for each licence” shall be inserted; and

(ii) in the footnote, after the word “one”, the words “or more” shall be inserted.

(16) in Form III,-

(i) after the first paragraph, the following new paragraph shall be inserted, namely:-

“This licence is valid from _____ to _____.”; and
(date) (date)

(ii) in the footnote, after the word “one”, the words “or more” shall be inserted.

(17) in Form IV,-

(i) for the words and figure “twenty five thousand”, the words and figure “two hundred and fifty thousand” shall be substituted; and

(ii) in the footnote, after the word “one”, the words “or more” shall be inserted.

(18) in Form V,-

(i) for the word “renew”, the word “renews” shall be substituted; and

(ii) in the footnote, after the word “one”, the words “or more” shall be inserted.

No. SEC/SCD/NBFCD- ED/585/2007

(Abdul- Rehman Qureshi)
Advisor/Secretary
