

Employees' Provident Fund (Investment in Listed Securities) Rules, 2016

Limits for investment in listed securities (Rule 3, 4)

Investments shall not exceed following percentages of the size of employees' provident fund

Total investments in listed securities	50%
Total investment in listed debt securities, listed debt collective investment schemes and money market collective investment schemes registered as notified entity under NBFC and Notified Entities Regulations 2008	50%
Total investment in listed equity securities and listed equity collective investment schemes, registered as notified entity under NBFC & Notified Entities Regulations 2008	30%

Other Limits (Rule 4)

Aggregate investment in	Shall not exceed
Listed equity securities of a particular company	10% of the provident fund or 5% of paid up capital of the investee company (whichever is lower)
Listed debt securities of a particular company	10% of the provident fund or 5% of that issue (whichever is lower)
Listed equity securities of constituting company or its associated companies	5% of the provident fund
Listed debt securities of constituting company or its associated companies	5% of the provident fund
Money market listed collective investment schemes managed by a single asset management company	20% of the provident fund
Any single listed equity collective investment scheme	10% of the provident fund

Conditions for investment listed securities (Rule 4)

Investment in Equity Securities

Investment shall be made only where such companies have

- A minimum operational record of 3 years; and
- Exhibited average total return on investment, not less than prevailing risk free rate (rate on which 6 months T-Bill arc issued+50 basis point at the time of investment)

$$\text{Total Return} = \frac{(\text{Value of investment at end of year} - \text{Value of investment at beginning of year}) + \text{Dividends}}{\text{Value of investment at beginning of the year}}$$

$$\text{Average Total Return} = \frac{\text{Total return year 1} + \text{Total return year 2} + \text{Total return year 3}}{3}$$

Investment in listed equity collective investment schemes

Shall be made only in units of scheme which have exhibited average total return on investment, not less than prevailing risk free rate (as defined above)

Investment in Initial Public Offers (IPO) of equity securities

Aggregate investment in initial public offers (IPO) of equity securities shall be restricted to 5% of the provident fund every six months in a calendar year subject to the following conditions, namely:-

- Aggregate investment in one IPO of equity securities shall be restricted to 1% of paid-up capital of investee company or 2% of the size of the employees' provident fund (whichever is lower);
- Shall be made in companies having profitable operational record of at least 3 years; and
- Employees' provident fund shall not subscribe to an IPO of equity securities underwritten, co-underwritten or sub-underwritten by its associated companies or associated undertakings;

Investment in Debt Securities and listed money market collective investment schemes

Shall not be made unless such securities or schemes have been assigned a minimum rating of "AA" by a credit rating company registered with SECP, and with at least a stable outlook at the time of investment; Provided that

- Investment can be made up to 10% of size of provident fund in listed debt securities rated AA- to A-; and
- SECP may, from time to time, change minimum rating of a security assigned in this clause;

Where investment is made in collective investment schemes which may invest in listed debt securities, the investment policy of such scheme shall be in line with the same criteria of listed debt securities

Other Conditions

- Investment shall not be made in a listed security if issuer of security has defaulted any of its financial obligations and in listed security of such company which is on defaulter segment of Pakistan Stock Exchange;
- Provident fund shall develop and maintain appropriate investment policies explaining investment limit, investment avenues and risk appetite including but not limited to business allocation among the brokers.
- Provident fund shall invest in liquid securities and shall refrain from activities including day trading, investment in future markets (except spread transactions) and investment in securities either through borrowing or through leverage.

Mandatory submission regarding investments out of provident fund trust (Rule 5)

Every company, constituting the provident fund/Trust shall within 1 month of the close of every six months of the financial year of such fund/trust, as the case may be, submit to SECP financial information of the fund/trust, as contained in the Annexure "A" (given below) to these rules.

----- Annexure "A" -----

Mandatory disclosures regarding Investments out of Provident Fund:

Particulars	Audited/Unaudited	Audited
	2015	2014
	Rs.	Rs.
Size of Fund-Total Assets	xxx	xxx
Cost of Investments out of Provident Fund/Trust	xxx	xxx
Fair Value of Investments out of Provident Fund/Trust	xxx	xxx
Percentage of Investments out of Provident Fund/Trust	XX	XX

Break-up of Fair Value of Investments out of Provident Fund/Trust

Particulars	Year 2015		Year 2014	
	Rs.	% of investment	Rs.	% of investment
Investment in Listed Debt Securities	xxx	xx	xxx	xx
Investment in Listed Equity Securities	xxx	xx	xxx	xx
Investment in listed Debt Collective Investment Schemes	xxx	xx	xxx	xx
Investment in Listed Equity Collective Investment Schemes	xxx	xx	xxx	xx
Investment in Government Securities	xxx	xx	xxx	xx
Bank Balances	xxx	xx	xxx	xx
Others	xxx	xx	xxx	xx

Penalty for contravention of these Rules (Rule 6)

- Fine which may extend to Rs. 500,000/-
- On continuing default, a further fine which may extend to Rs.10,000/- per day.