INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN

(Formerly Institute of Capital Markets)

NEWSLETTER | NOVEMBER 2016

The name of the Institute has been changed from Institute of Capital Markets (ICM) to **Institute of Financial Markets of Pakistan (IFMP).**

IFMP's New Address and Telephone Number:

Park Avenue Building, Suite No. 1009, 10th Floor,
P.E.C.H.S Block No. 6, Shahrah-e-Faisal, Karachi.

+92 (21) 34540843-44

00 CONTENT

DETAILS: www.ifmp.org.pk 92 (21) 34540843-44 info@ifmp.org.pk

01 Message from the Chief Executive Officer

Mr. Muhammad Ali Khan

The last few years have seen a rapid growth in size, quality and sophistication of financial markets, because of changes in the policy and regulatory environment, the entrepreneurial initiatives of individuals and institutions, and the availability of trained manpower. The continuing growth of financial markets is further adding to the demand for well-trained professionals.

Institute of Financial Markets of Pakistan is dedicated to the professional development of financial markets and research on financial markets as well as the well being of financial markets by educating the professionals about the norms and ethics being practiced in the markets. IFMP has had a pioneering role in meeting the demand for educated manpower. It is Pakistan's first specialized institution devoted to the education and updating of knowledge of manpower for financial markets. It will provide high-quality educational standards for all types of financial market participants; investors, brokers, mutual funds, investment banks and policy makers.

The Institute's main activities are (1) Licensing the professionals working in the financial markets by certifications. The institute's key responsibility is to educate the professionals working in different financial markets of Pakistan through examining their knowledge in their relevant field of work; (2) Studying the latest developments in the financial markets in order to discover whether there is such a thing as an ideal market economy; and (3) Contributing to the development of financial markets in Pakistan. By means of these three activities the Institute seeks to communicate its ideas to the audience both at home and overseas. The Institute's research is intended, first and foremost, to be neutral, professional and practical. Rooted in practice, it aims to contribute to the healthy development of Pakistani financial markets as well as to related policies by conducting neutral and professional studies of how these markets and the financial system are regulated and organized and how they perform.

The economy is changing all the time. The Institute hopes that, by responding to these changes positively, it can contribute to the dynamic development of the country's financial markets as well as of the economy itself.

Introduction To The Organization

The **Institute of Financial Markets of Pakistan (IFMP)** (Formerly Institute of Capital Markets), Pakistan's first securities market institute, has been established as a permanent platform to develop quality human capital, meet the emerging professional knowledge needs of financial markets and create standards among market professionals. The Institute has been envisioned to conduct various licensing examinations leading to certifications for different segments of the financial markets. IFMP develops a pool of trained and certified professionals, skilled not only to deal in conventional instruments but also to trade in new and complex financial market products.

-FEE STRUCTURE-

Candidate Registration Fee (One-Time)	Rs.10,000
Examination Registration Fee	Rs.7,000
Membership Fee (Annual)	Rs.5,000
Study Guide (Hard Copy)	Rs.800

-EXAMINATION SCHEDULE- (2016-2017)

- Sunday, 29 January, 2017
- Sunday, 26 March, 2017
- Sunday, 28 May, 2017

PROGRAMMES

LICENSING CERTIFICATIONS

- ⇒ Fundamentals of Capital Markets
- ⇒ Pakistan's Market Regulations
- ⇒ Stock Brokers Certification
- ⇒ Mutual Funds Distributors
- ⇒ Commodity Brokers Certification

INSURANCE CERTIFICATIONS

- ⇒ General Takaful Training
- ⇒ Family Takaful Training
- ⇒ Life Insurance Agent
- ⇒ Non-Life Insurance Agent

OTHER CERTIFICATIONS

- ⇒ Financial Advisors Certification
- ⇒ Financial Derivative Traders Certification
- ⇒ Compliance Officers Certification
- ⇒ Clearing and Settlement Operations Certification
- ⇒ Risk Management Certification
- ⇒ Capital Budgeting and Corporate Finance Certification
- ⇒ Investment Banking and Analysis Certification
- ⇒ Islamic Finance Certification
- ⇒ Research Analysts Certification

For more information, please visit our website: www.ifmp.org.pk

IFMP Activities

A guest speaker session on "The ABC of Stock Market" was conducted by the CEO of IFMP on November 3rd at Institute of Business Management (IoBM).

A Memorandum of Understanding (MoU) was signed between IFMP & CISI on November 15th in Dubai.

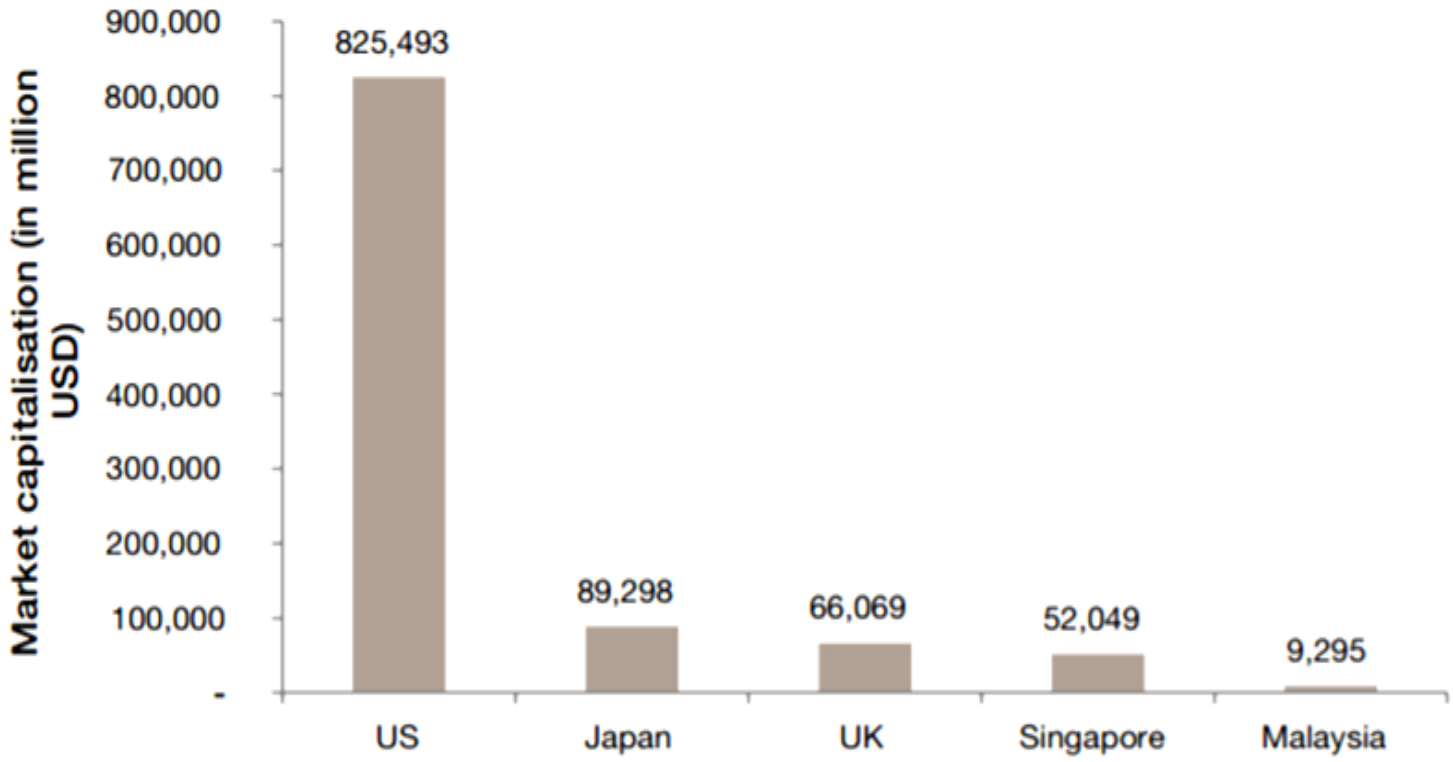
Real Estate Investment Trusts (REITs) started gaining popularity in Asia in early 2000, despite being introduced in the US in 1960. The first few Asian REITs were incepted in Singapore and Japan in 1999 and 2001 respectively (Ooi *et al*. 2006). A report by PWC India (2015) asserts that in 2012 nearly 500 REITs across 22 countries had a total market capitalisation of more than US$ 850 billion, out of which 138 Asian REITs comprised nearly 12% of the global REITs market. Figure 1 provides an insight into the market capitalization of the most active REITs markets in 2014. The focus of this month's article is Asia. Accordingly, selected information about Asian REITs is presented in Table 1.

The regulations surrounding REITs in the majority of Asian countries require a distribution of 90% income to shareholders/unitholders to maintain their tax-exempt status. The Type-A REIT in South Korea is an exception as it does not have a dividend-paid deduction (APREA, 2014) and is taxed at 24.20%. The tax structure in China also varies depending on the nature and structure of the real estate investment product.

REITs in South Asia

Both India and Pakistan initially promulgated REITs regulations in 2008 (Brounen and Koning, 2012). While the Securities and Exchange Board of India

Figure 1: *Market Capitalization of REITs in Different Countries*



Source: EPRA (2014)

Table 1: *Information about Asian REITs*

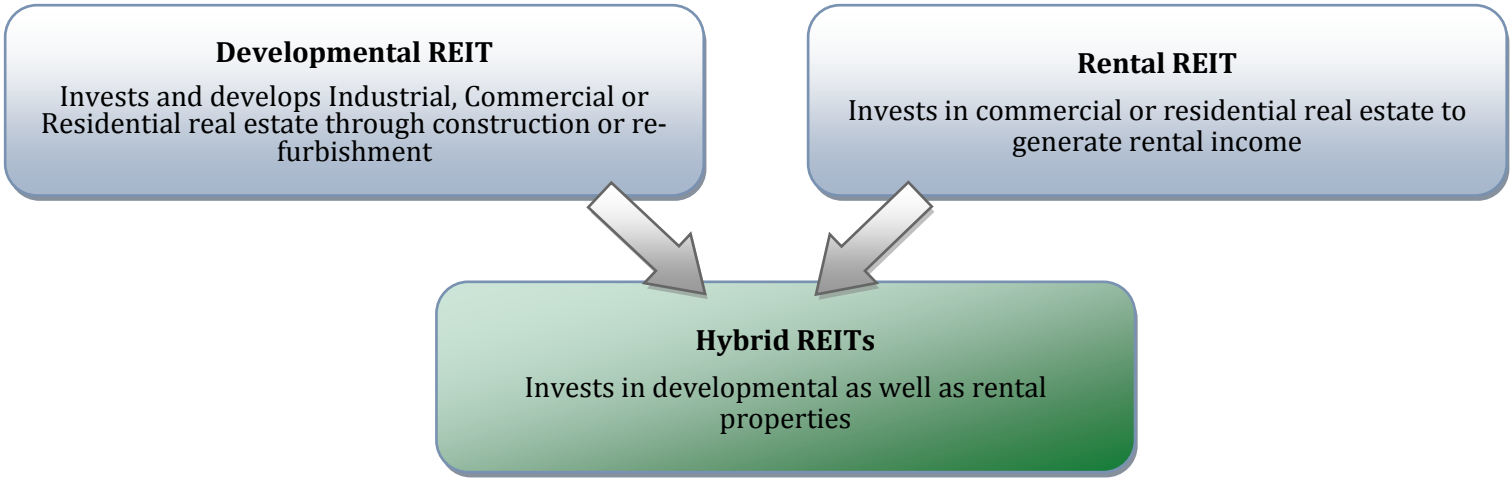
	Inception Year	No of RIETs	Structure	Leverage	Source of Information (Websites)
China	2003[1]	10[2]	Trust	Information not available	Wall Street Journal RICS[3] (2016)
Hong Kong	2003	11	Closed-ended unit trust	45% of the gross asset value of the REIT	Hong Kong Exchange (2016) APREA[4] (2014)
India	2008/2014	1	Trust	Maximum 49% of the value of the REIT assets	Grant Thornton India (2015) EY (2015)
Japan	2001	46	Closed-ended corporate structure	No restrain on leverage	Japan REIT (2016) APREA (2014) Lim and Sing (2014)
Malaysia	1989/2002	15	Malaysian registered trust	Maximum 50% of the total asset value	Malaysia REITs (2016) APREA (2014)
Pakistan	2008/2015	1	Listed closed-ended fund	Only unsecured borrowing up to 30% of the developmental or rental property	Securities and Exchange Commission of Pakistan (2016)
Singapore	1999	20	Closed-ended unit trust or mutual fund corporation	35% of total assets	SGX (2016) APREA (2014)
South Korea[5]	2001	25	Closed-ended corporate structure	Two times net equity	APREA (2014)
Taiwan	2003	9	Close-ended trust	Maximum 35% of total asset value	REIT Info (2016)
Thailand	1992	25	Closed-ended unit trust	Maximum 35% of total asset value	The Stock Exchange of Thailand (2016) APREA (2014)
UAE (Dubai)	2006	1	Closed-ended trust	Maximum 70% of the Net Asset value of the fund	Emirates REIT (2016) DIFC[6](2016)

Notes: *[1]Quasi REIT structure*
[2]Includes all REITs and Quasi REITs
[3]Royal Institution of Chartered Surveyors
[4]APREA Asia Pacific Real Estate Association
[5]South Korea Offers multiple REIT structures: Regular REIT (A-REIT), B-REIT. Corporate Restructuring REIT (CR-REIT)
[6]Dubai International Financial Center

(SEBI) replaced them in 2014 (Grant Thornton India, 2015), the Securities and Exchange Commission of Pakistan (SECP) provided a revised regulatory framework for REITs in 2015 (SECP, 2016). REITs in Pakistan can fall into one of three categories (figure 2). The first rental and Shariah compliant REIT in Pakistan, the Dolmen City REIT, was listed on the Pakistan Stock Exchange (PSX) in 2015. In India, the first REIT IPO will be launching soon and the listing is expected to be completed in early 2017. While only rental REITs are permitted in India for the time being, infrastructure investment trusts may be launched in India soon (PWC India, 2015).

fees (maximum 3% of the Net Operating Income of the rental REIT) and performance fees of 15% of the return attained realised above the benchmark stated in the offering document. As with most REITs around the world, the REITs in Pakistan can maintain tax exempt status provided they distribute 90% of the profit to the shareholders. The dividend income and capital gains are taxed in the hands of shareholders at the prevailing tax rates in the country (Business Recorder, 2015). However, this is not the case in India. Investors in Indian REITs are exempted from paying taxes on dividends as well as capital gains (PWC India, 2015).

Figure 2: *Classification of REITs in Pakistan*



The REITs regulations 2015 in Pakistan provide clear guidelines for Real Estate Management Companies (RMCs), trustees, property appraisers, registration of REITs, Pre-IPO and IPO conditions, appointment of project accountant, investments, dividend, borrowing and customer advances, and related party transaction. The regulations also enlist the management

Transparency in Real Estate Sector

The REITs allow small investors to invest in large scale, income generating real estate through listed REITs and provide them the option to enter and exit the market upon their discretion. They also enable governments to regularize the real estate sector in the country. Domestic as well as foreign investors

can be encouraged to participate in REITs by introducing regulations that promote transparency at multiple levels and make serious efforts to safeguard the interest of investors.

Companies like Jones Lang LaSalle and LaSalle Investment Management (JLL) started publishing the Global Real Estate Transparency Index (GRETI) nearly two decades ago. The index is published every two years. In 2016, the GRETI compared 109 countries from the following dimensions: data availability, governance, transaction processes, property rights, and the regulatory/legal environment. Table 2 presents the ranking of various Asian countries on the GRETI in 2016 and the evolution of their rankings over time.

It is evident from the table above that several countries have endeavoured to improved their standings on the index over the years. It is also apparent that Pakistan ranks the lowest amongst its counterparts in Asia that offer REITs. There has been some improvement in its ranking from 2014 to 2016; however, the country needs to strive harder to improve on various dimensions of transparency in the real estate sector. Better rankings on the index coupled with improved sovereign ratings and a better regulatory framework may attract foreign investment into the country's real estate sector.

The article in December's newsletter will compare regulatory frameworks surrounding REITs in developed and emerging economies.

Table 2: *Global Real Estate Transparency Index*

	2012 97 countries included		2014 102 countries included		2014 109 countries included	
	Ranking	Score	Ranking	Score	Ranking	Score
China*	32	2.83	35	2.73	33	2.50
Hong Kong	11	1.76	14	1.87	15	1.90
India*	48	3.07	40	2.86	36	2.60
Japan	25	2.39	26	2.22	19	2.00
Malaysia	23	2.32	27	2.27	28	2.30
Pakistan	92	4.48	93	4.25	88	4.00
Singapore	13	1.85	13	1.81	11	1.80
South Korea	41	2.96	43	2.90	40	2.70
Taiwan	29	2.60	29	2.55	23	2.10
Thailand	39	2.94	36	2.76	38	2.60
UAE	52	3.23	49	3.11	48	2.90

Source: Jones Lang LaSalle and LaSalle Investment Management (2012, 2014, 2016)

Notes: China and India are evaluated in three tiers. The rankings here represent Tier-1 cities

References

APREA. (2014). *Asia Pacific REITs: A Comparative Regulatory & Tax Study* [Online]. Asia Pacific Real Estate Association. Available: http://www.aprea.asia/file/Asia%20Pacific%20REITs%20-%20a%20comparative%20regulatory%20&%20tax%20study.pdf. [Accessed 10 November 2016].

Brounen, D. & De Koning, S. (2012). 50 Years of Real Estate Investment Trusts: An International Examination of the Rise and Performance of REITs. *Journal of Real Estate Literature,* 20(2), 197-223.

Business Recorder. (2015). *Finance Bill 2015: REIT Unit Holders to Be Treated at Par with Mutual Funds* [Online]. Business Recorder. Available: http://www.brecorder.com/taxation/181:pakistan/1193839:finance-bill-2015-reit-unit-holders-to-be-treated-at-par-with-mutual-funds/?date=2015-06-07. [Accessed 20 November 2016].

DIFC. (2016). *DIFC REITs Challenges and Opportunities* [Online]. Dubai, UAE: Dubai International Financial Center. Available: https://www.difc.ae/files/3814/5545/0789/REITs_Challenges_and_opportunities_Lynette_Brown.pdf. [Accessed 21 November 2016].

Emirates REIT. (2016). *Timeline* [Online]. Dubai, UAE: Emirates REIT. Available: https://www.reit.ae/page/timeline. [Accessed 21 November 2016].

EPRA. (2014). *Global REIT Survey 2014* [Online]. European Public Real Estate Association. Available: http://www.epra.com/media/EPRA_REIT_2014_GLOBAL_1417773403962.pdf. [Accessed 20 November 2016].

EY. (2015). *Real Estate Investment Trusts* [Online]. Mumbai, India: Ernst and Young. Available: http://www.ey.com/Publication/vwLUAssets/EY-real-estate-investment-trusts/$FILE/EY-real-estate-investment-trusts.pdf. [Accessed 15 November 2016].

Grant Thornton India. (2015). *Real Estate Investment Trust (Reit) Regime in India* [Online]. Mumbai, India: Grant Thornton India LLP. Available: http://www.grantthornton.in/globalassets/1.-member-firms/india/assets/pdfs/real_estate_investment_trusts_reits_regime_in_india.pdf. [Accessed 15 November 2016].

HKEX. (2016). *Main Board - Real Estate Investment Trusts (REITs) as at 22/11/2016* [Online]. Hong Kong Exchanges and Clearing Limited. Available: https://www.hkex.com.hk/eng/market/sec_tradinfo/stockcode/eisdreit.htm. [Accessed 15 November 2016].

Japan REIT. (2016). *About J-REITs* [Online]. Japan REIT. Available: http://en.japan-reit.com/about_J-REIT/. [Accessed 11 November 2016].

Lim, K. G. & Sing, T. F. 2014. Leverage Strategies of Asian Reits and Real Estate Operating Companies. *Asian Real Estate Society International Conference.* Gold Coast, Australia: Lee Kong Chian School of Business.

Malaysia REITs. (2016). *All About Malaysia REITs* [Online]. Malaysia REITs. Available: mreit.reitdata.com/. [Accessed 11 November 2016].

Ooi, J. T. L., Newell, G. & Sing, T. F. (2006). The Growth of REIT Markets in Asia. *Journal of Real Estate Literature,* 14 (2), 203-222.

PWC India. (2015). *India's New Real Estate and Infrastructure Trusts the Way Forward* [Online]. PWC India. Available: https://www.pwc.com/sg/en/publications/assets/aprea-in-realestate-infra-trusts.pdf. [Accessed 20 November 2016].

RICS. (2016). *Royal Institution of Chartered Surveyors* [Online]. Royal Institution of Chartered Surveyors. Available: http://www.rics.org/Global/REITS_China_English_190516_dwl_Research.pdf. [Accessed 20 November 2016].

REIT Info. (2015). *REITs in Taiwan* [Online]. REIT Info. Available: http://reitinfo.com/index.php?option=com_reitsearch&q=&sectionid=3&catid=67&subcategory=. [Accessed 15 November 2016].

SECP. (2016). *SECP Chairman Launches South Asia's First Listed REIT* [Online]. Islamabad, Pakistan: Securities and Exchange Commission of Pakistan. Available: https://www.secp.gov.pk/media-center/event-gallery/chairman-visit-to-kse-for-dolmen-city-reit-launch/. [Accessed 11 October 2016].

SGX. (2016). *Market Information - REITs* [Online]. Singapore Exchange. Available: http://www.sgx.com/wps/portal/sgxweb/home/marketinfo/securities/reits. [Accessed 10 November 2016].

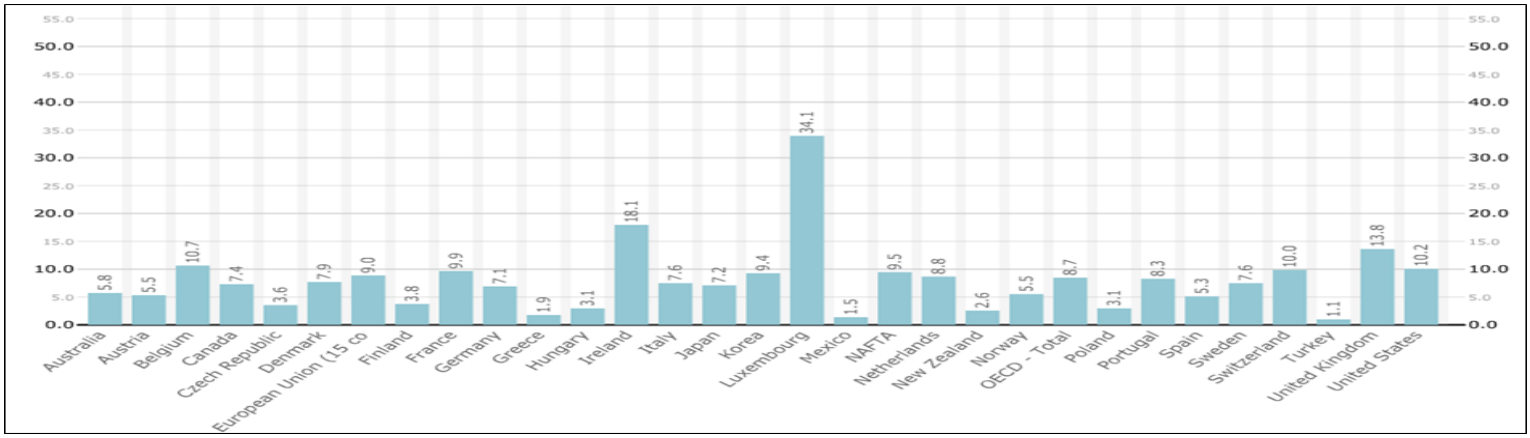
The Stock Exchange of Thailand. (2016). *Listing on SET - REITs* [Online]. The Stock Exchange of Thailand. Available: http://www.set.or.th/en/products/listing2/set_pfundreits_p1.html. [Accessed 16 November 2016].

Wall Street Journal. (2015). *China's First REIT to List in Shenzhen* [Online]. Wall Street Journal. Available: http://www.wsj.com/articles/chinas-first-reit-to-list-in-shenzhen-1435132865. [Accessed 20 November 2016].

Uncertainty, risk, or the possibility of unexpected events leading to unanticipated outcomes, is inevitable for individuals and firms. It is therefore natural that individuals and corporate entities opt to safeguard themselves from unforeseen circumstances through insurance. Insurance can be defined as a risk transfer instrument. It offers risk management to one party (insured) by transferring a particular risk to another party (insurer). The insurer offers a complete or partial restoration against the payment of a periodic premium by the insured.

The most widely used insurance indicators are insurance penetration (insurance premium as the percentage of GDP) and insurance density (the ratio of annual premium underwritten to the total population). It is not surprising that insurance penetration is much higher in developed countries as compared to the developing countries (OECD Stats, 2016). Figure 1 presents the insurance penetration rates in OECD countries in 2014.

Figure 1: *Insurance Penetration Rates (Life and Non-Life) in OECD Countries (2014)*



Source: OECD Stats (2016)

Deloitte (2015) reported that insurance penetration in most Asian countries is less than 5% in 2014. Malaysia (5.1%), Singapore (6.2%) and Hong Kong (11.5%) were exceptions. Pakistan has one of the lowest insurance penetration rates in the subcontinent that has increased marginally over the years. Pakistan's insurance penetration was 0.68% in 2010, around 1% in 2011 (Deloitte, 2015) and 1.73% in 2013. In comparison, insurance penetration in Bangladesh stood at less than 1% in 2011 (Swiss Re, 2012) and in India at approximately 4% in during 2011 - 2013 (Swiss Re, 2012; Times of India, 2015).

Takaful and its Evolution

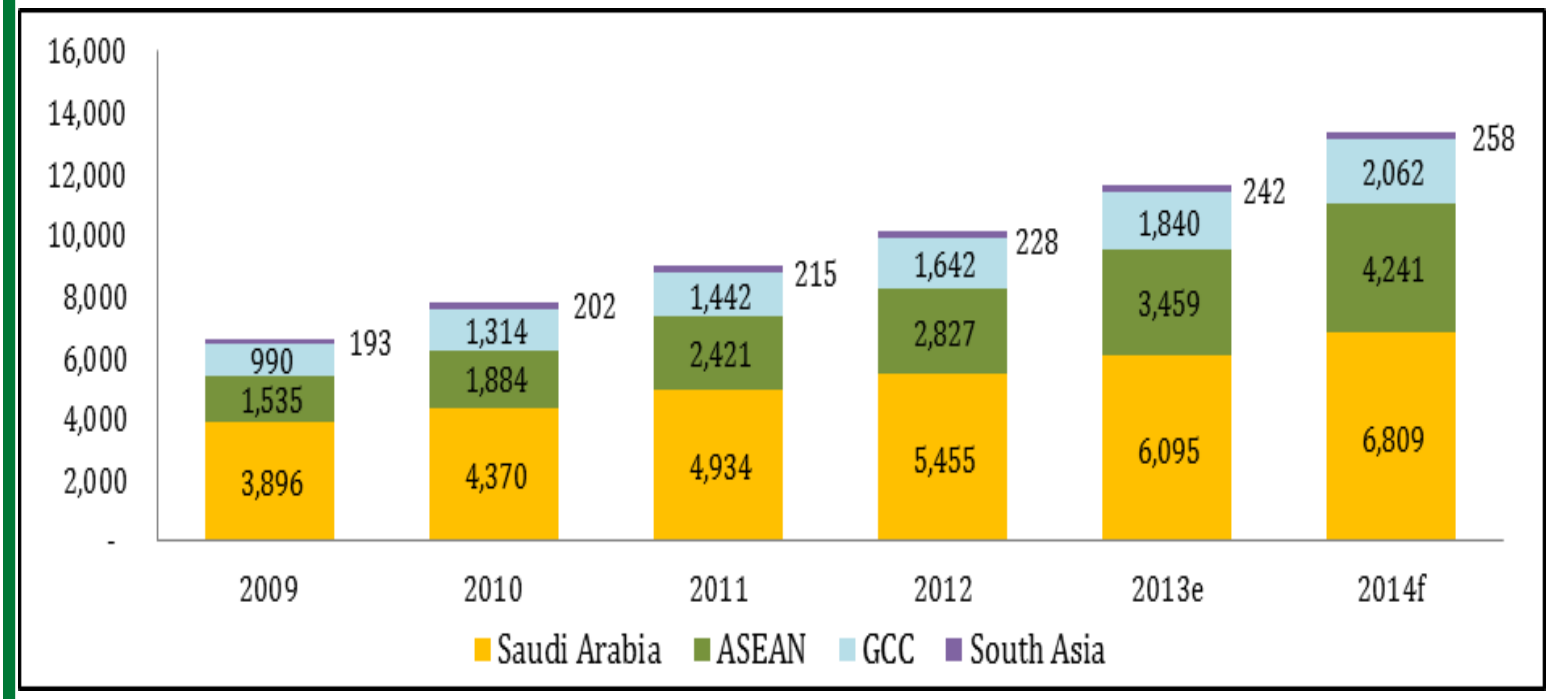
Takaful is a form of mutual insurance whereby the insurers are also the insured. The Malaysian Takaful Association (2016) defines Takaful as "*the pact between at least two parties agreeing to jointly guarantee one another in the event of a loss, as a consequent of being afflicted by a calamity*".

Takaful: An Overview

While the interest in conventional insurance products in Asian countries has been limited, Takaful, the Shariah compliant insurance has witnessed exaggerated growth in the region. In 2014, the Takaful industry constituted only 1.1% of the total Islamic finance globally (MIFC, 2015) despite experiencing substantial growth in the last decade. The global Takaful market experienced an 18 percent Compound Annual Growth Rate (CAGR) during 2007-2012 with the ASEAN countries comprising of Malaysia, Indonesia, Brunei, Singapore and Thailand witnessing a CAGR of 22% in the same period (Deloitte, 2015). It was expected that the global Takaful markets will be worth US$26 billion by the end of 2015 and will grow by more than 60% by 2020 (MIFC, 2015).

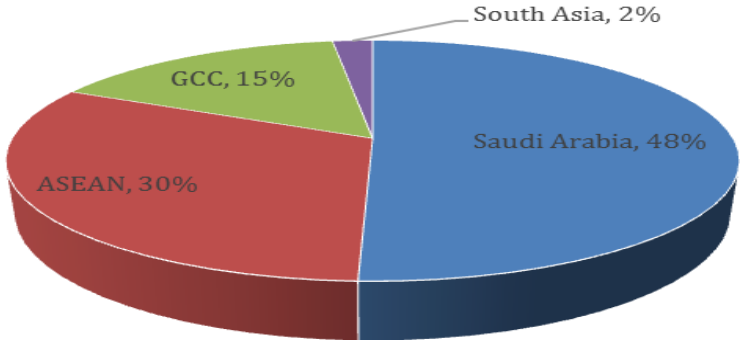
Significant growth is Takaful has also been observed in the GCC countries with Saudi Arabia taking the lead (Figure 2). The gross Takaful contributions in the GCC region in 2014 were approximately US$ 9 billion, and grew at an average rate of nearly 12% from 2013 (EY, 2015). The growth in gross Takaful contributions in evident from figure 2. It is evident that South Asian countries are lagging behind. Figure 3 presents the forecasted relative share of global gross Takaful contributions in 2014. As evident from figure 4, in the GCC countries only, Saudi Arabia represented 77% of the Takaful share, followed by a distant 15% by the United Arab Emirates (UAE).

Figure 2: *Comparison of Gross Takaful Contribution [US$ millions]*



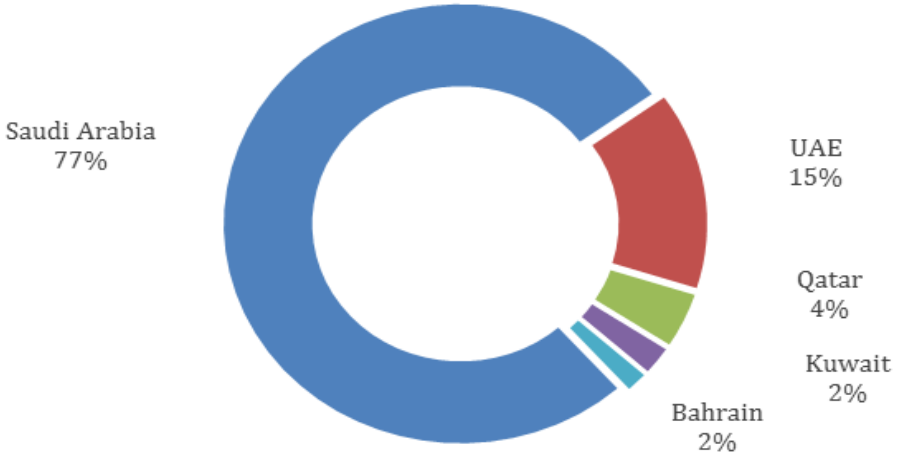
Source: Deloitte (2015)
Notes: The GCC countries comprise of United Arab Emirates, Bahrain, Kuwait, Oman and Qatar

Figure 3: *Share of Gross Takaful Contribution (2014 forecasted)*



Source: EY (2015)

Figure 4: *Share of Gross Takaful Contributions in the GCC (2014 forecasted)*



Source: EY (2015)
Notes: Data on Takaful in Oman is not available

According to MIFC (2015), Malaysia and Indonesia were the largest markets for Takaful contracts in the ASEAN in 2014, with nearly 94% regional market share.

The MIFC (2015) attributes the success of Takaful in the GCC countries, Malaysia and Indonesia to the stringent and effective regulatory frameworks. The Saudi Arabian Monetary Agency (SAMA) requires all insurance companies in the country to be established and operated on the cooperative business model. On the other hand, the UAE's Takaful regulations (2010) ensure complete Shariah compliance in the process of offering Takaful products. These regulations also prohibited conventional insurance companies to operate Takaful windows. In case of Malaysia, the Central Bank of Malaysia implemented the Takaful Operational Framework 2012, Islamic Finance Service Act 2013, and Life Insurance and Family Takaful for Everyone (LIFE). These regulations have ensured that the customer needs for Shariah compliant insurance products are met, the interests of all market participants are protected and the Takaful providers operate in a competitive environment,

which in turn would benefit customers with better risk sharing arrangements and differentiated Islamic insurance products.

Takaful in Pakistan

The Securities and Exchange Commission of Pakistan (SECP) initially devised a regulatory framework for Takaful companies in 2005. Under these regulations, conventional insurance companies were not allowed to operate Takaful windows (Reuters, 2014). The SECP amended the Takaful regulations in 2012 and then in 2014 to allow conventional insurers to offer Takaful products. The latter amendment to the regulations required the conventional insurers to allocate PKR 50 million in capital to their window operations (SECP, 2016). The SECP believes that nearly half of the fifty conventional insurers in the country will opt to operate Takaful windows in the near future. This will not only increase competition in the industry, but will also increase insurance penetration due to greater accessibility offered by the conventional insurers through their extensive network as well as provision of Bancassurance (Reuters, 2014). The initiatives may lead to a substantial increase in the share of Takaful contracts, which comprised only 5% of the total insurance contracts in Pakistan.

Although there has been a considerable interest in Takaful, especially in Muslim majority countries, the industry has faced many challenges. Next month's article will discuss the challenges faced by the industry as well as the opportunities that may lead to increased insurance penetration in countries where the masses are inclined towards adopting Shariah compliant financial products.

References

Deloitte. (2015). *The Way Forward for Takaful - Spotlight on Growth, Investment and Regulation in Key Markets* [Online]. Deloitte. Available: https://www2.deloitte.com/xe/en/pages/financial-services/articles/insurance-takaful-2014.html. [Accessed 22 November 2016].

EY. (2015). *Global Takaful Insights 2014 - Market Updates* [Online]. Ernst & Young. Available: http://www.ey.com/Publication/vwLUAssets/EY_Global_Takaful_Insights_2014/$FILE/EY-global-takaful-insights-2014.pdf. [Accessed 25 November 2016].

Malaysian Takaful Association. (2016). *Takaful Definitions* [Online]. Kuala Lumpur, Malaysia: Malaysian Takaful Association. Available: http://www.malaysiantakaful.com.my/About-MTA/Takaful-Definitions.aspx. [Accessed 25 November 2016].

MIFC. (2016). *Takaful: Growing from Strength to Strength* [Online]. Kuala Lumpur, Malaysia: Malaysia International Islamic Financial Centre. Available: http://www.mifc.com/index.php?ch=28&pg=72&ac=154&bb=uploadpdf. [Accessed 25 November 2016].

OECD Stats. (2016). *Insurance Indicators* [Online]. Organization of Economic Coorperation and Development. Available: https://stats.oecd.org/Index.aspx?DataSetCode=INSIND. [Accessed 21 November 2016].

Reuters. (2014). *Pakistan Insurance Market Set for Takaful Boost - Official* [Online]. Reuters. Available: http://www.reuters.com/article/islamicfinance-pakistan-idUSL5N0R502920140904. [Accessed 25 November 2016].

SECP. (2016). *Licensing Requirements for Window Takaful Operations (WTO)* [Online]. Islamabad, Pakistan: Securities and Exchange Commission of Pakistan. Available: https://www.secp.gov.pk/licensing/insurance-companies-licensing/window-takaful-operators/. [Accessed 25 November 2016].

Swiss Re. (2012). *Sigma No 3, Insurance in 2011* [Online]. Zurich, Switzerland: Swiss Reinsurance Company Ltd. Available: http://www.tsb.org.tr/images/Documents/sigma_3_12_en.pdf. [Accessed 25 November 2016].

Times of India. (2015). *Insurance Penetration in India at 3.9 Percent, Below World Average* [Online]. Times of India. [Accessed 25 November 2016].

06

Investors' Terms Of The Month

Asset Management Services

The services provided for management of open-ended schemes and include offering of investment schemes under trust deeds and issue of redeemable securities.

Book and Paper

Book or paper or Books of accounts include accounts, deeds, vouchers, registers, writings and documents.

Clearing Fund Contribution

The contribution required to be made by a clearing member to the clearing and settlement fund.

Domestic Insurance Policy

A contract of insurance that provides insurance cover in respect of loss of or damage to a building used primarily and principally as a residence for the policy holder, for persons with whom the policy holder has a family or personal relationship, or for both the policy holder and such persons, or loss of or damage to the contents of such a building, or both.

Investment Company

A company engaged principally or wholly in buying and selling securities of other companies and includes a company, not being a holding company, the investment of which in the share capital of other companies at any one time is of an amount equivalent to eighty per cent of the aggregate of its own paid up capital and free reserves, but does not include a bank or an insurance company or a corporation which is a member of a Stock Exchange.

Margin Loan

A loan made by a Non-Banking and Finance Companies, licensed to provide investment finance services to partly finance investment by the client in marketable securities, which shall be held by the Non-Banking and Finance Companies as collateral, the amount invested by the client being the "margin" against the loan.

Notified Entity

A company or class of companies or corporate body or trust or any other entity or person notified by the Federal Government in the official Gazette.

Registrar Concerned

The registrar in charge of the registration office in which the company is registered or in whose territorial jurisdiction the registered office, or, where a company is to be registered, the proposed registered office, is situate.

Standard and Poor revised Pakistan Credit Rating

S&P revised Pakistan long term credit rating from B- to B. The improvement in rating is due to better policymaking which has raised the country`s growth prospects. However it warned that many of Pakistan`s structural weaknesses remained, including a narrow tax base and security risks, that weakened the government`s effectiveness and weighed on the business climate.

The agency predicts average annual GDP growth to 5.5% in the next three years from the current growth rate of 4.7%. This revision indicates improved activity of construction and services sector, low-cost oil and finance, and high investment associated with the China Pakistan Economic Corridor (CPEC).

China weakens Yuan to Eight-year Low

China debilitated the Yuan's fix against the dollar to a eight-year low as the increasing dollar put pressure on the unit, complicating Beijing`s efforts to manage it.

The unit reached a series of six-year lows in recent weeks in the face of a greenback rising on expectations of sharper US interest rate hikes. But the current fix was the weakest since December 2008, and beyond the roughly 6.83 level at which Beijing virtually pegged the unit for nine months in 2009. China only lets the Yuan to rise or fall two per cent on either side of the daily fix, one of the ways it maintains control over the currency.

The US Treasury cleared that China is keeping the Yuan cheap for trade advantages, saying the currency could have fallen more. Barclays predicts that the onshore Yuan will fall to 7.15 against the dollar by the end of the third quarter next year.

Approval of Super Basmati Paddy Rice Futures Contracts

The Securities and Exchange Commission of Pakistan has approved paddy rice futures contracts for listing on the Pakistan Mercantile Exchange to promote the electronic trading of agricultural commodities through the PMEX platform.

This move will also protect the interests of farmers in the agriculture value chain. The benefits of using the PMEX platform include quality-tested products, swift payment within 24-48 hours, price transparency and guaranteed delivery and settlement through the exchange`s mechanism.

The SECP is bringing reforms to agricultural commodity trading by encouraging traders to make use of the PMEX platform as a modernized route for buying and selling agricultural commodities in Pakistan. It has also incorporated the concept of agriculture promotion companies in the Draft Companies Bill 2016.

SECP Roundtable Session

The Securities and Exchange Commission of Pakistan held the second and third roundtable sessions in Islamabad and Lahore, respectively. The first roundtable session was held in Karachi.

The SECP aims to strengthen the insurance regulatory framework. The commissioner for insurance discussed the need for revamping the primary insurance law and the executive director briefed the participants on the proposed amendments to the insurance regulatory legal framework.

The proposed amendments are designed to enhance the financial soundness of insurance companies, help develop a financially stable insurance sector where interests of policyholders are adequately protected and encourage market development in line with the Insurance Core Principles of the International Association of Insurance Supervisors.

Debt Securities Trustees Regulations

The SECP has approved the draft regulatory framework for the licensing and regulation of Debt Securities Trustees (DSTs) in order to promote debt markets in Pakistan. The regulations will be established under Securities Act 2015.

Under the proposed regime, the registration of Debt Securities Trustees has been replaced with their licensing and its validity has been reduced from three years to one year. The new framework allows banks, DFIs and investment finance companies to act as DSTs.

In order to facilitate the development of the debt market, a DST has been allowed to make investments of up to 10% of the debt issue for which it is acting as a DST. The current regime allows the restructuring or rescheduling of any instrument with the approval of 50% holders of the debt security in value.

The SECP intends to streamline various procedures that will help boost the debt market, including the launch of the Bond Pricing Agency. After the approval of the new regulations, the existing DSTs will be given a one-year period to comply with the revised requirements.

URDU GLOSSARY

Accumulated Profit	جمع شدہ منافع
Book Value	کتابی قدر، کتابی مالیت
Chief Executive Officer	کمپنی کا سربراہ
Debenture	مقروضیت کا تصدیق نامہ، سند مقروضیت
Financial Distress	مالیاتی اضطراب
Indebtedness	مقروضیت، قرض داری
Judicial Trustee	عدالتی امین
Long-Term Investment	طویل المیعاد سرمایہ کاری
Receivables	وصولیات

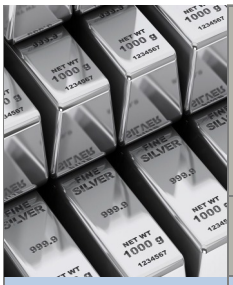
Monthly Review

	Crude Oil (WTI)
Beginning	48.50
Ending	45.32
Change	-3.18

	KIBOR (6 Months)	
	Bid %	Offer %
Beginning	5.80	6.05
Ending	5.86	6.11
Change	+0.06	+0.06

	Pakistan Stock Exchange
	100 Index
Beginning	39,893.84
Ending	42,622.37
Change	+2728.53

	Gold
	10 Grams
Beginning	Rs.43,036.52
Ending	Rs.42,857
Change	-179.52



	Silver
	10 Grams
Beginning	Rs.602.69
Ending	Rs.634.28
Change	+31.59

Source:
forex.com.pk
sbp.org.pk

	Foreign Exchange Rates					
	GBP (£)		EURO (€)		USD ($)	
	Buying	Selling	Buying	Selling	Buying	Selling
Beginning	Rs.127.13	Rs.127.37	Rs.114.41	Rs.114.63	Rs.104.30	Rs.104.50
Ending	Rs.129.41	Rs.129.66	Rs.110.59	Rs.110.80	Rs.104.40	Rs.104.60
Change	+2.28	+2.29	-3.82	-3.83	+0.1	+0.1