

The Gazette of Pakistan Extraordinary

PART II

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

NOTIFICATIONS

Islamabad, the 30th November, 2004.

S.R.O. 975 (I)/2004. – In exercise of the powers conferred by sub-clause (viii) of clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984), the Federal Government is pleased to specify Pension Fund Scheme Business authorized under the Voluntary Pension System Rules, 2004, to be a form of business.

Islamabad, the 27th January, 2005.

S.R.O. 87(I)/2005. – In exercise of the powers conferred by sub-clause (viii) of clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984), the Federal Government is pleased to direct that the following amendment shall be made in Notification No. S.R.O. 975(I)/2004, dated the 30th November, 2004, namely: -

In the aforesaid Notification, for the figure “2004” the figure “2005” shall be substituted.

S.R.O. 88(I)/2005. – In exercise of the powers conferred by section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Federal Government is pleased to make the following rules, the same having been previously published vide S.R.O. 976(I)/2004 dated the 30th November, 2004, as required by section 506 of the said Ordinance, namely: -

1. Short title and commencement. - (1) These rules may be called the Voluntary Pension System Rules, 2005.

(2) They shall come into force at once.

2. Definitions. – (1) In these rules, unless there is anything repugnant in the subject or context, -

(a) “accounting period” means the period ending on an accounting date and commencing from the establishment of the pension fund or from the end of the last accounting period, as the case may be;

(b) “annuity” means a series of payments of set frequency;

- (c) “asset management company” means a company which has been licenced by the Commission under rule 5 of the Non-Banking Finance Companies Rules, 2003, to offer investment schemes under trust deeds and to issue redeemable securities;
- (d) “auditor” means a person qualified under the provisions of section 254 of the Ordinance to act as an auditor of a company;
- (e) “central depository company” means a company formed to establish and operate a system for the central handling of securities, whether listed or not on a stock exchange, whereby such securities are deposited with and held in custody by, or registered in the name of, the company as a nominee for the depositors and dealings in respect of such securities are effected by means of entries in securities accounts without the physical delivery of scrips and which has been registered under section 32-A of the Securities and Exchange Ordinance, 1969 (XVII of 1969);
- (f) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997);
- (g) “company” means a life insurance company or an asset management company registered as a Pension Fund Manager;
- (h) "connected person", in relation to a company registered as a Pension Fund Manager, means;-
- (i) any person or company beneficially owning, directly or indirectly, ten per cent or more of ordinary share capital of that company, or being able to exercise, directly or indirectly, ten per cent or more of the total voting power in that company;
 - (ii) any person or company controlled by a person who or which meets one or both, of the descriptions given in sub-clause (i);
 - (iii) any member of the group of which that company forms part; or
 - (iv) any director, officer and employee of that company or of any of their connected persons as specified in sub-clauses (i), (ii) and (iii) or any body providing service or exercising power of that company;

Explanation.- The words director, officer and employee shall include their spouse, lineal ascendants and descendants, brothers and sisters;

- (i) “constitutive document” means the principal document governing the formation of the pension fund, and includes the trust deed of a pension fund and all material agreements;
- (j) “contribution” means an amount as may be voluntarily determined by an

individual payable annually, semiannually, quarterly, or monthly to one or more Pension Fund Managers and held in one or more individual pension accounts of a participant, subject to any specified minimum limit;

- (k) “Form” means a Form annexed to these rules;
- (l) “life insurance company” means a company registered under the Insurance Ordinance, 2000 (XXXIX of 2000), to transact life insurance business, and includes the State Life Insurance Corporation of Pakistan;
- (m) “net asset value”, in relation to a pension fund, means the excess of assets over liabilities of the pension fund, such excess being computed in the manner specified hereunder or as may be specified by the Commission from time to time, namely :-
 - (i) A security listed on a stock exchange shall be valued at its last sale price on such exchange on the date as of which it is valued, or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date, the security shall be valued at an amount not higher than the closing asked price nor lower than the closing bid price. Where price is not truly representative of the market value because it is thinly traded or not traded, the trustee with the concurrence of the auditor may prescribe an alternate method;
 - (ii) an investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the cash account of the company shall be adjusted to reflect the purchase price, including brokers’ commission and other expenses incurred in the purchase thereof but not disbursed as of the valuation date;
 - (iii) an investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price;
 - (iv) the value of any dividends, bonus, shares or rights which may have been declared on securities in the portfolio but not received by the company as of the close of business on the valuation date shall be included as assets of the company, if the security upon which such dividends, bonus or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights, as the case may be;
 - (v) debt security not listed or quoted on a stock exchange shall be valued at fair value determined to the satisfaction of the trustee;
 - (vi) interest accrued on any interest-bearing security in the portfolio shall be included as an asset of the company if such accrued interest is not otherwise included in the valuation of the security;

- (vii) any other income accrued up to the date on which computation was made shall also be included in the assets; and
- (viii) all liabilities, expenses, taxes and other charges due or accrued up to the date of computation which are chargeable under these rules, other than the paid-up capital of the company, shall be deducted from the value of the assets;
- (n) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (o) “participant” means any person on whose behalf contributions are made into one or more pension funds and held in one or more identifiable individual pension accounts managed by one or more Pension Fund Managers;
- (p) “pension fund” means a fund made up of sub-funds created from the contributions paid by the participants and would consist of all the assets for the time being held or deemed to be held by sub-funds and includes all income or investment returns thereon but excludes fees, charges and expenses related to the management of the investments of sub-funds;
- (q) “Pension Fund Manager” means an asset management company or a life insurance company duly authorized by the Commission to efficaciously manage the contributions made by or on behalf of participants in pension fund and meet such other conditions as may be prescribed from time to time by the Commission;
- (r) "records" include ledgers, day books, cash books and all other manuals or magnetic records used in the business of a Pension Fund Manager;
- (s) “regulations” means regulations made by the Commission under these rules;
- (t) “Schedule” means the Schedule to these rules;
- (u) “stock exchange” means any stock exchange registered under the Securities and Exchange Ordinance, 1969 (XVII of 1969);
- (v) “trust” means a trust established by a deed under the provisions of the Trusts Act, 1882 (II of 1882);
- (w) “unit” means an undivided share in a sub-fund of the pension fund, and
- (x) “unlisted security” means a security not listed or quoted on a stock exchange.

(2). The words and expressions used but not defined in these rules shall have the same meaning as are assigned to them in the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Insurance Ordinance, 2000 (XXXIX of 2000), and the Non-Banking Finance Companies Rules, 2003.

3. No company to commence business without registration. – (1) No company shall

commence business as a Pension Fund Manager unless it is registered with the Commission under these rules.

4. Eligibility for registration. - A company proposing to commence business as a Pension Fund Manager shall be eligible for registration under these rules if,-

- (a) it is a life insurance company or an asset management company;
- (b) the company is financially solvent and is fully complying with all the requirements as may be necessary according to the applicable laws, rules and regulations and having such credit rating as may be determined by the Commission from time to time; and
- (c) each of its directors, chief executive and chairman of the Board of Directors, officer or employee fulfills the terms and conditions mentioned in the fit and proper test as may be specified by the Commission from time to time.

5. Registration as Pension Fund Manager. – (1) A company eligible for registration may make an application in Form I to the Commission for registration under these rules along with a non-refundable processing fee amounting to fifty thousand rupees.

(2) The Commission may, after making such inquiry and after obtaining such further information, as it may consider necessary, and after satisfying itself that the applicant is eligible for registration and that it would be in the interest of the participants and capital market so to do, grant a certificate of registration to such company in Form II.

(3) A monitoring fee shall be charged annually at the rate as may be prescribed by the Commission from time to time. Such fee shall be paid by the Pension Fund Manager from his own account and it shall not be charged to the pension fund.

(4) In case the company fails to commence pension business within six months from the date of registration, its registration shall be liable to be cancelled unless the period has been extended by the Commission, on receipt of application submitted by the company before the expiry of six months.

6. Cancellation of registration as Pension Fund Manager. – (1) Subject to sub-rule (2), where the Commission is of the opinion that a Pension Fund Manager has contravened any provision of these rules, or has otherwise neglected or failed to comply with any order or direction of the Commission or with any requirement of these rules or has failed or neglected to carry out its duties to the satisfaction of the trustee, or the Commission, as the case may be, considers that it would be in the interest of the participants so to do, the Commission may, on its own motion or on the report of the trustee, by order in writing;-

- (a) cancel or suspend the registration of the company;
- (b) remove the company managing the pension fund;
- (c) issue, cease and desist orders to the company;
- (d) order compensation to be paid to the participants;

- (e) ban defaulters to be employed within the security market temporarily or permanently;
- (f) impose fine; or
- (g) take any combination of the above mentioned actions.

(2) No such orders shall be made under sub-rule (1) except after offering the company an opportunity of being heard.

(3) If the registration of the company as a Pension Fund Manager is cancelled under sub-rule (1), the Commission shall appoint another company to act as Pension Fund Manager for the pension fund being managed by the said company and the Pension Fund Manager whose licence has been cancelled shall not be eligible to be registered as a Pension Fund Manager again.

(4) The company may apply to the Commission for the cancellation of its registration as a Pension Fund Manager if it has, with the prior approval of the Commission, transferred management of the pension fund being managed by it to another Pension Fund Manager.

7. Obligations as Pension Fund Manager. - (1) A Pension Fund Manager shall,-

- (a) be obliged to manage the assets of the pension fund in the interest of the participants in good faith and to the best of its ability and without gaining any undue advantage for itself or any of its related parties or its officers;
- (b) be responsible for the acts and omissions of all persons to whom it may delegate any of its functions as Pension Fund Manager, howsoever designated, as if they were its own acts and omission;
- (c) account to the trustee for any loss in value of the assets of the pension fund where such loss has been caused by its gross negligence, reckless or willful act or omission;
- (d) maintain at its principal office, proper accounts and records to enable a complete and accurate view to be formed of the assets and liabilities and the income and expenditure of the pension fund, all transactions for the account of the pension fund and contributions received by the pension fund and withdrawals by the participants including detail of withholding tax deducted at source and transfer or receipt of balances in the individual pension accounts of the participants to or from other Pension Fund Managers;
- (e) prepare and transmit an annual report, together with a copy of the balance sheet and income and expenditure account and the auditor's report of the pension fund within three months of closing of the accounting period to the Commission and the participants, and the balance sheet and income and expenditure account shall comply with requirements as set out in Schedule I;
- (f) within one month of the close of the first, second and third quarter of its year of account of the fund, prepare and transmit to the participants and the Commission

a balance sheet as at the end of that quarter and a profit and loss account for that quarter, whether audited or otherwise, of the pension fund and the balance sheet and income and expenditure account shall comply with requirements as set out in Schedule I. The companies may, with the prior approval of the Commission, post the said quarterly accounts on their website;

- (g) maintain a register of participants of the pension fund and inform the Commission of the address where the register is kept;
- (h) appoint with the consent of the trustee, at the establishment of the pension fund and upon any vacancy, an auditor independent of the auditor of the company and the trustee and such auditor shall not be appointed for more than three consecutive years;
- (i) furnish to the Commission within one month of the close of any accounting period, (i) particulars of the personnel (executive, research and other) managing the pension fund; (ii) total number of participants; and (iii) such other information that may be prescribed by the Commission from time to time;
- (j) furnish to the Commission a copy of its annual report and half yearly report , together with copies of the balance sheet, profit and loss account, the directors' report and the auditors' report within two months of the close of its accounting year and within one month of its half year;
- (k) send an account statement as at the 30th June and the 31st December each year, within thirty days after the end of each date, to individual participants, giving detail of the amounts received or withdrawn and tax deducted and the number of units allocated and held, the current valuation of the units and such other information as may be specified by the Commission, free of charge. The participant shall however be entitled to receive any information, in respect of his account, at any time, on written application. Such information may also be posted on the website and furnished electronically, subject to prior approval of the Commission; and
- (l) send any other statement or certificate to the participants which may be necessary under these rules.

8. Restrictions for Pension Fund Manager. - No Pension Fund Manager shall,-

- (a) merge with, acquire or take over management of any other pension fund unless it has obtained the prior approval of the Commission in writing to the scheme of such merger, acquisition or takeover;
- (b) pledge any of the securities held or beneficially owned by the pension fund except for the benefit of the pension fund subject to prior approval of the Commission;
- (c) accept deposits from another pension fund;

- (d) make a loan or advance money to any person except in connection with the normal business of the pension fund;
- (e) participate in a joint account with others in any transaction;
- (f) apply any part of its assets to real estate provided that the company may purchase real estate for its own use out of its shareholders' fund;
- (g) make any investment with the purpose of having the effect of vesting the management, or control, in the pension fund; and
- (h) employ as a broker, directly or indirectly, any of its director, officer or employee or a member of a family of such person which shall include spouse, parents, children, brothers and sisters and enter into transactions with any connected broker, which shall equal or exceed ten per cent or more of the brokerage or commission paid by the pension fund in any one accounting year:

Provided that the Commission may, in each case on merits, permit the ten per cent to be exceeded if the connected broker offers advantages to the pension fund not available elsewhere.

9. Authorization of pension fund. – (1) No Pension Fund Manager shall offer to any person, a pension fund unless the Commission has authorized the same.

(2) A pension fund shall be in the form of a unit trust scheme. The pension fund being made up of an Equity sub-fund and a Debt sub-fund and other sub-funds, as may be allowed by the Commission from time to time.

(3) An application for authorization of the pension fund shall contain information as specified in Form III and shall be accompanied by the following documents, namely :-

- (a) a constitutive document, contents of which shall be in the form as set out in Schedule II;
- (b) an undertaking from Pension Fund Manager that it will invest or arrange the investment of seed capital of fifty million rupees for each sub-fund of the pension fund for a minimum period of three years or as may be determined by the Commission;

Provided that the Commission may modify this requirement where the company registered as Pension Fund Manager has adequate solvency margin (if applicable) and the above average track record for the last three years of the annual return on the funds being managed by the said company; or such other conditions as would be in the interest of the participants and the capital market for reasons to be recorded in writing; and

- (c) non-refundable application fee of one hundred thousand rupees in the form of bank draft payable to the Commission.

10. De-authorization of pension fund. - (1) If a Pension Fund Manager do not wish to maintain the authorization of a pension fund it shall issue a three months' notice to the participants about its intention not to maintain the said authorization, with prior approval of the Commission.

(2) If the Commission considers that further continuation of the authorization of the pension fund shall not be in the interest of participants, it shall issue a three months' notice to the participants about the Commission's intention not to maintain such authorization:

Provided that no such notice shall be served without offering an opportunity being heard to Pension Fund Manager.

(3) The Pension Fund Manager shall not receive any contributions from any of the participants as from the date of issue of the notice as referred to in sub-rules(1) and (2).

(4) In case of de-authorization under sub-rules (1) and (2), the Pension Fund Manager shall be required to wind-up the pension fund and transfer the individual pension accounts of the participants under his management to another Pension Fund Manager, with the approval of the Commission.

11. Remuneration payable to Pension Fund Manager. - (1) Subject to sub-rules (2) and (3), Pension Fund Manager shall be allowed to charge a maximum front-end fee (sales charge) of 3% of all the contributions received from any participant of the pension fund and an annual management fee of 1.5% of the average of the values of the net assets of the pension fund calculated during the year for determining the prices of the units of the sub-funds.

(2) The rates of fees specified under sub-rule (1) may be reviewed by the Commission from time to time.

(3) There shall be no front-end fee payable in the event of the transfer of the individual pension account from one Pension Fund Manager to another Pension Fund Manager.

12. Eligibility. – All Pakistani nationals over the age of eighteen years who have a valid National Tax Number and are not employed in any position entitling them to benefits under any approved occupational pension scheme shall be eligible to contribute to the pension fund authorised under these rules:

Provided that Pakistani nationals who were or are entitled to benefits under an approved occupational pension scheme, but are not entitled to benefits in respect of the current year of service, shall be eligible to contribute to the pension fund during that year.

(2) Eligibility criteria may be reviewed by the Commission from time to time.

13. Requirements as to contributions. - (1) Eligible persons themselves as well as alongwith their employers, if any, shall be allowed to contribute into one or more pension funds, subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001).

(2) The maximum allowable amount of contribution within any financial year according to the Income Tax Ordinance, 2001 (XLIX OF 2001), can be paid in one lump sum or in instalments to one or more Pension Fund Managers during any fiscal year.

(3) The Pension Fund Manager shall send an acknowledgement of receipt of the contribution to the participant or the employer, as the case may be, within one week of the receipt thereof.

14. Individual pension account. - (1) The Pension Fund Manager shall assign a distinct number to individual pension account held in the name of each participant.

(2) The contribution received from any participant by the Pension Fund Manager on any working day shall be immediately credited to the individual pension account of the participant after deducting the front-end fees, and the amount in the individual pension account shall be used to purchase the units of sub-funds of the pension fund as the Commission may allow, at the net asset value notified by the Pension Fund Manager at the close of that working day.

(3) The allocation of the contributions between the various sub-funds at the date of opening of individual pension account and on any anniversary thereafter, shall be in accordance with the policy to be prescribed by the Commission from time to time, hereinafter referred to as the prescribed allocation policy.

(4) The amount of the contribution used for the purchase of the units of any sub-fund shall depend on such percentage as may be specified in the prescribed allocation policy selected by the participant. In the event of no allocation percentages being selected by any participant the Pension Fund Manager shall allocate the contributions among the various sub-funds within the prescribed allocation policy, as may be considered in the interest of the participant.

(5) The Pension Fund Manager shall make reallocation of the units between the sub-funds at least once a year to ensure that the allocation of units of all the participants are according to the percentages selected by the participants or where no selection has been made according to the prescribed allocation policy.

(6) Individual pension account shall not be subject to any lien, pledge or encumbrance, attachment in the execution of a decree, nor shall it be chargeable or assignable; and any agreement to charge or assign an allowance shall be void, and on the bankruptcy of a participant, no sum shall pass to any trustee or person acting on behalf of his creditors.

15. Change of Pension Fund Manager by participant. - (1) Subject to sub-rules (2) and (3) participants shall be allowed to transfer his individual pension account with a particular Pension Fund Manager to another Pension Fund Manager. For this purpose the units shall be encashed at the net asset value of each sub-fund notified at the close of the working day corresponding to the date of transfer.

(2) No charge whatsoever called shall be deducted for transfer of the individual pension account from one Pension Fund Manager to another Pension Fund Manager.

(3) The transferred amount shall be used to purchase the units of the sub-funds of the pension fund maintained by the new Pension Fund Manager at the net asset value notified at the close of the working day, of the receipt amount, on such percentage according to the prescribed allocation policy selected by the participant.

(4) The transfer of individual pension account shall only take place on the anniversary date of opening of the individual pension account in the pension fund. The notice for the change of the Pension Fund Manager, specifying the name of the new Pension Fund Manager shall be sent by the participant at least thirty days before the relevant anniversary date.

(5) In the event the Commission de-authorises any Pension Fund Manager, the transfer shall take place without any restriction thereon.

(6) Policyholders having pension policies approved by the Commission under section 63 of the Income Tax Ordinance, 2001 (XLIX of 2001), and issued by life insurance companies before the 30th June, 2005, would be eligible to redeem their units and transfer the balance to an individual pension account with a Pension Fund Manager, subject to these rules. No charge whatsoever shall be deducted from such redemption amount.

16. Register of participants. - (1) The Pension Fund Manager shall maintain a register in respect of each participant's individual pension account comprising the following information, namely :-

- (a) distinctive account number;
- (b) the name, address, National Identity Card Number and National Tax Number of the participant;
- (c) complete record of the amount of contributions paid by the participants on different dates;
- (d) number of units of the sub-funds allocated and standing in the name of the participant from time to time;
- (e) the date at which the name of the participant was entered in respect of the units standing in his name;
- (f) any other information considered necessary; and
- (g) such information as may be specified by the Commission from time to time.

17. Retirement age. - (1) The retirement age for the participants shall be any age between sixty and seventy years. A notice shall be sent to the Pension Fund Manager at least thirty days before the chosen date of retirement.

(2) If a participant suffers from any of the following disabilities, which render him unable to continue any employment he may, if he so elects, be treated as having reached the

retirement age at the date of such disability and all relevant provisions shall apply accordingly, namely :-

- (a) loss of two or more limbs or loss of a hand and a foot;
- (b) total loss of eyesight;
- (c) total deafness in both ears;
- (d) very severe facial disfigurement;
- (e) total loss of speech;
- (f) paraplegia or hemiplegia;
- (g) lunacy;
- (h) advance case of incurable disease; or
- (i) wounds, injuries or any other diseases, etc, resulting in a disability due to which the participant is unable to continue any work.

(3) An assessment certificate from the medical board approved by the Commission shall be required to confirm any of the disability specified in sub-rule (2).

18. Benefits on retirement. - (1) At the date of retirement of the participant all the units of the sub-funds to his credit shall be redeemed at the net asset value notified at close of the day of retirement and the amount due shall be credited to his individual pension account, which shall earn the applicable market rate of interest for such deposits. The participant shall then have the following options, namely: -

- (a) to withdraw up to twenty-five per cent of the amount in his individual pension account, as cash;
- (b) to use the remaining amount to purchase an annuity from a Life Insurance Company of his choice; or
- (c) to enter into an agreement with the Pension Fund Manager to withdraw from the remaining amount, monthly installments till the age of seventy-five years or earlier, according to an income payment plan, approved by the Commission.

(2) At the expiry of the income payment plan according to clause (c) of sub-rule (1), the participant shall have no other option except to use the outstanding balance in his individual pension account to purchase an annuity from a Life Insurance Company, of his choice.

(3) The annuity purchased may be single life, joint or survivor life, level (with or without guarantee period), increasing, investment-linked and retail price index linked or with any additional features as may be offered by the Life Insurance Companies.

19. Withdrawal of funds before retirement. - (1) A participant at any time before retirement shall be entitled to redeem the total or part of the units of the sub-funds to his credit in the individual pension account subject to the conditions laid down in the Income Tax Ordinance,

2001 (XLIX of 2001), from time to time. The withdrawals may be through single or multiple payments.

(2) Withholding tax and tax penalty, if any, applicable to all such withdrawals shall be deducted by the Pension Fund Manager and the same shall be deposited in the Government treasury.

20. Benefits on death before retirement. - (1) In case of death of a participant before the retirement age, all the units of the sub-funds to his credit shall be redeemed at the net asset value notified at close of the day of intimation of death and the amount due shall be credited to his individual pension account, which shall earn the applicable market rate of interest for such deposits.

(2) The total amount in the individual pension account of the deceased participant shall be divided among the nominated survivors according to the percentages specified in the nomination deed and each of the nominated survivor shall then have the following options, namely :-

- (a) withdraw his share of the amount subject to the conditions laid down in the Income Tax Ordinance 2001 (XLIX of 2001);
- (b) transfer his share of the amount into his existing or new individual pension account to be opened with the Pension Fund manager, according to these rules;
- (c) use his share of the amount to purchase an annuity on his life from a Life Insurance Company, only if the age of the survivor is fifty-five years or more;
or
- (d) use his share of the amount to purchase a deferred annuity on his life from a Life Insurance Company to commence at age fifty-five years or later.

21. Instructions from participant. – All the instructions from a participant or his nominees or survivors with regard to this voluntary pension system shall be in writing.

22. Advertisements and invitations. - (1) Advertisements and other invitations to the public in Pakistan to invest in a pension fund, including public announcements, shall be submitted to the Commission for approval prior to their issue.

(2) The approval granted under sub-rule (1) may be varied or withdrawn by the Commission after giving an opportunity of being heard to the Pension Fund Manager.

(3) Approval of an advertisement or invitation shall be valid for a period of sixty days from the date of approval provided that there is no change in the features of the pension fund for which the advertisement was approved.

23. Unit pricing. - (1) Every Pension Fund Manager shall notify the net asset value of a unit of each of the sub-funds of the pension fund managed by it, at the close of each working

day. The value of the units shall be published in a leading daily newspaper. The redemption of the units, wherever applicable, shall always be at the net asset value of the unit of each of the sub-funds.

(2) The net asset value of the unit of each sub-fund shall be calculated on the basis of the sub-fund's total net asset value divided by the number of units after making adjustments for fees and charges:

Provided that the amount or method of calculation of such fees and charges shall be transparent and clearly disclosed in the constitutive document of the pension fund.

(3) There shall be at least four dealing days per week.

24. Investment policy. - (1) The Pension Fund Manager shall make investments of the pension fund in equity and debt securities in a transparent, efficacious, prudent and sound manner.

(2) The pension fund shall be divided into sub-funds to be called the Equity sub-fund, the Debt sub-fund and such other funds as may be determined by the Commission.

(3) The investment policy for the pension funds shall be determined by the Commission from time to time.

25. Appointment of investment advisor. - (1) The Pension Fund Manager may employ investment advisor, not being a person having personal interest, registered under the Non-Banking Finance Companies Rules, 2003, to deal in and enter into transactions in securities on behalf of the Pension Fund Manager.

(2) Contract between the Pension Fund Manager and investment advisor shall be in writing setting out duties, rights and obligations of the parties clearly providing for mechanism to enforce the terms of the contract and the circumstances under which the agreement can be revoked and the fees payable subject to the approval of the Commission.

(3) Investment advisor's fee shall be paid by the Pension Fund Manager from his own account and it shall not be charged to the pension fund.

26. Short sale not allowed. - No Pension Fund Manager and investment advisor shall enter into a short sale transaction in any security, whether listed or unlisted.

27. Transaction with connected persons. - (1) No Pension Fund Manager on behalf of the pension fund shall purchase from or sell any security to any of the connected person.

(2) No single connected stockbroker shall account for ten per cent or more of the pension fund's brokerage or commission in any one financial year of the pension fund.

(3) In case cash forming part of the pension fund's assets is deposited with the trustee or the custodian, which is a banking company, return shall be paid on the deposit by such trustee or custodian at a rate that is not lower than the rate offered by the said banking company to its other

depositors on deposits of similar amount and maturity.

28. Limitations and prohibitions. - (1) No Pension Fund Manager on behalf of the pension fund shall lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person:

Provided that investment in sale and repurchase transactions involving Government securities or such eligible listed securities which are regulated by stock exchanges shall not be attracted by this sub-rule subject to the condition that risk management parameters are disclosed in the constitutive document of the pension fund approved by the Commission.

(2) Borrowing shall not be resorted to except for meeting withdrawal requests or transfer of funds to other Pension Fund Managers and such borrowing shall not exceed fifteen per cent of the total net asset value of the pension fund at any time, and shall be repayable within a period of ninety days.

(3) The pension fund shall not be invested in any security of a company if any director or officer of the Pension Fund Manager owns more than five per cent of the total nominal amount of the securities issued, or, collectively the directors and officers of the Pension Fund Manager owns more than ten per cent of those securities.

(4) Except where it is necessary to protect its investment, the Pension Fund Manager shall not seek to acquire a controlling interest in any enterprise in which it has invested or has any other interest, which would give it primary responsibility for management.

29. Appointment of trustee. – For every pension fund, for which authorization is requested, the Pension Fund Manager shall appoint a trustee with the approval of the Commission.

30. Conditions applicable to trustee. – A trustee shall be,-

- (a) a scheduled bank licensed under the Banking Companies Ordinance, 1962 (LVII of 1962), which has minimum A+ rating from a credit rating company registered with the Commission, and has been in business for at least five years;
- (b) a trust company which is a subsidiary of a scheduled bank referred to in clause (a);
- (c) a foreign bank operating as a scheduled bank in Pakistan and operating as trustee internationally; or
- (d) a central depository company approved by the Commission.

31. Obligations of trustee. - A trustee shall; -

- (a) take into its custody or under its control all the property of the pension fund and hold it in trust for the participants in accordance with the law and

the provisions of the constitutive documents; and the cash and registerable assets shall be registered in the name of, or to the order of, the trustee;

- (b) be liable for any act or omission of any agent with whom any investments are deposited as if they were the act or omission of any nominee in relation to any investment forming part of the property of the pension fund ;
- (c) be liable for the act and omission of the lender and its agent in relation to assets forming part of the property of the pension fund and, where borrowing is undertaken for the account of the pension fund, such assets may be registered in the lender's name or in that of a nominee appointed by the lender;
- (d) ensure that the issue, redemption and cancellation of units are carried out in accordance with the provisions of the constitutive documents of the pension fund;
- (e) ensure that the methods adopted by the Pension Fund Manager in calculating the values of the units of each sub-fund of the pension fund are adequate and that the net asset value is calculated in accordance with the provisions of the constitutive documents or as specified by the Commission;
- (f) carry out the instructions of the Pension Fund Manager in respect of investments unless they are in conflict with the provisions of the prospectus or constitutive documents;
- (g) ensure that the investment policy and borrowing limitations set out in the constitutive documents and the conditions under which the pension fund was authorized are complied with;
- (h) issue a report to be included in the annual report to be sent to participants whether, in the trustees' opinion, the Pension Fund Manager has in all material respects managed the pension fund in accordance with the provisions of the constitutive documents, and if the Pension Fund Manager has not done so, the respects in which it has not done so and the steps which the trustee has taken in respect thereof; and
- (i) ensure that units are not allocated until contributions have been received.

32. Retirement of trustee. - A trustee may, subject to prior approval of the Commission, retire from his office on appointment of a new trustee and the retirement shall take effect at the same time as the new trustee is appointed.

33. Trustee and Pension Fund Manager to be independent. – (1) The trustee shall not in any way be related to the Pension Fund Manager or its directors or investment advisor.

(2) A director or employee of the trustee shall not be involved in any manner with the Pension Fund Manager.

34. Remuneration payable to trustee. - A trustee shall be entitled to such fee or remuneration as may be allowed by the Pension Fund Manager after prior approval of the Commission and such fee shall be charged as an expense to the pension fund.

35. Power of the Commission to give directions to trustees. - The Commission may, if it is satisfied that it is necessary and expedient so to do in the interest of the participants, or in the interest of the capital market and public, by an order in writing, give such directions to the trustees which are essential to enforce these rules including but not limited to making arrangements for safe custody of assets of the pension fund, submission of reports and disclosure of information.

36. Annual fee payable to the Commission. - Pension Fund Manager shall pay, as annual fee to the Commission, an amount equal to one thirtieth of one per cent of the average annual net asset value of the pension fund.

Explanation.- For the purposes of this rule, the average annual net asset value means the average of total net asset values of the sub-funds calculated during the year for announcing the net asset value of each unit of the sub-funds.

37. Special audit of pension fund. - (1) The Commission shall monitor general financial condition of the pension fund, and, at its discretion, may order special audit and appoint an auditor who shall not be the external auditor of the pension fund, to carry out detailed scrutiny of the affairs of the pension fund, provided that the Commission may, during the course of the scrutiny, pass such interim orders and give directions as it may deem appropriate.

(2) On receipt of the special audit report, the Commission may direct the Pension Fund Manager to do or to abstain from doing certain acts and issue directives for immediate compliance which shall be complied forthwith or take such other action as the Commission may deem fit.

38. Inquiry by the Commission. - (1) The Commission may cause an enquiry or inspection to be made by any person appointed in this behalf into the affairs of a pension fund authorised under these rules or of any of the directors, managers or officers of the Pension Fund Manager.

(2) Where an enquiry or inspection under sub-rule (1) has been ordered, every director, manager or officer of the Pension Fund Manager to which or to whose director, manager or officer the enquiry or inspection relates and every other person who has had any dealing with such Pension Fund Manager, its director, partner, manager or officer shall furnish such information in his custody or power or within his knowledge relating to, or having bearing on the subject-matter of the enquiry or inspection as the person conducting the enquiry or inspection may by notice in writing require.

(3) The person conducting an enquiry or inspection under sub-section (1) may call for, inspect and seize books of account and documents in possession of any such pension fund,

Pension Fund Manager or any of its directors, managers or officers.

39. Complaints and disputes to be referred to the Insurance Ombudsman. - (1) If any complaint or dispute arises between the participant and Pension Fund Manager under these rules, it shall be referred to the Insurance Ombudsman appointed under section 125 of the Insurance Ordinance, 2000 (XXXIX of 2000).

(2) The Insurance Ombudsman shall have all the powers and shall follow the procedures as required under Part XVI of the Insurance Ordinance, 2000 (XXXIX of 2000), for this purpose.

40. Performance of Pension Fund Manager. - (1) The index of the weighted average investment return of all the sub-funds for all the Pension Fund Managers shall be calculated by the Commission within ninety days of the end of each calendar year.

(2) The benchmark for the investment performance of the sub-funds shall be the index as determined in sub-rule (1) less two hundred and fifty basis points.

(3) The benchmark referred to in sub-rule (2) shall be used to take corrective measures, including fine and cancellation of registration as Pension Fund Manager, as may be considered necessary by the Commission in respect of the Pension Fund Manager where the investment return in the sub-funds during any particular year is below the specified benchmark.

41. Publication of comparative statement of pension funds. – (1) The Commission shall publish in the leading newspapers, after every six months, a comparative statement of all the pension funds offered by different Pension Fund Managers to enable the participants to compare the performance and make informed judgment.

(2) The comparative statements shall include fee structure, rate of return and any other material information or issues, etc.

(3) The cost of publication of the comparative statement shall be borne by the Pension Fund Managers according to the net asset value of the pension funds at the date of comparison.

42. Advisory Committee. - The Commission may, for the purpose of obtaining advice in carrying out the purposes of these rules, constitute an advisory committee consisting of such persons as representing the Pension Fund Managers, trustees, investment advisors or having special knowledge of the subject matter thereof, as it may think fit.

43. Power of the Commission to issue guidelines. - The Commission shall have the power to issue necessary guidelines to the intermediaries, Pension Fund Manager and participants with respect to the Voluntary Pension System.

44. Power of Commission to give directions. - The Commission may, if it is satisfied that it is necessary and expedient so to do in the public interest, in the interest of the participants or in the interest of capital market in Pakistan, by order in writing, require such compliance by any Pension Fund Manager, investment adviser, custodian, trustee, individually or collectively, which is essential to enforce these rules including ensuring safe custody of securities, submission

of periodic or special reports, disclosure of information and to make such arrangements, within such time as may be specified in the order, to,-

- (a) disinvest the whole or such part of the investment portfolio as may be specified;
- (b) refrain from investing or disinvesting such securities as may be specified; and
- (c) co-opt one or more persons nominated by the Commission as members of the board of directors of the Pension Fund Manager with the same status, powers and rights as the other members of the board.

45. Power to require to furnish information, etc. - (1) The Commission may, at any time, by notice in writing, require the Pension Fund Managers generally, or any Pension Fund Manager in particular, in relation to the pension funds managed, to furnish it within the time specified therein or such further time as the Commission may allow, with any statement or information or document relating to the business or affairs of such Pension Fund Manager or Pension Fund Managers (including any business or affairs with which such Pension Fund Manager or Pension Fund Managers is or are concerned) and, without prejudice to the generality of the foregoing power, may call for information, at such intervals as the Commission may deem necessary.

(2) No Pension Fund Manager, in relation to the pension funds managed, director, officer, employee or agent or auditor thereof shall, in any document, report, return, accounts, information or explanation required to be furnished in pursuance of these rules, or in any application made under these rules, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect or omit any material fact therefrom.

46. Interpretation. - The Commission shall have the power to interpret these rules in respect of the Voluntary Pension System and decision of the Commission in this regard shall be final and binding.

47. Applicability of the Companies Ordinance. – All the provisions of Part VIII A of the Companies Ordinance, 1984 (XLVII of 1984), shall apply to the Pension Fund Managers.

FORM I
[See rule 5(1)]

APPLICATION FOR REGISTRATION AS PENSION FUND MANAGER

Dated, the-----

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

We hereby apply for a certificate of registration under rule 5(1) of the Voluntary Pension System Rules, 2005, to act as a Pension Fund Manager.

2. We hereby furnish the following information: -
 - (a) date of incorporation as an asset management company or life insurance company;
 - (b) authorised, subscribed and paid-up share capital of the company (sponsors' equity indicated separately);
 - (c) names and addresses of directors with brief curriculum vitae and number of shares held by each of them ;
 - (d) directors' interest, direct or indirect, in any other company with details of such interest;
 - (e) details of persons or group controlling the company including major shareholders with number and value of shares held;
 - (f) details of qualified staff engaged;
 - (g) name and complete curriculum vitae of the chief officer responsible for the management and investment of the pension fund;
 - (h) names of holding, subsidiary and associated undertaking, if any;
 - (i) audited accounts for the last three years;
 - (j) detail of the past dividends/bonus, etc., to the unit holders/policy holders/shareholders; and
 - (k) any additional information in support of this application.
3. Certified copies of the memorandum and articles of association and certificate of incorporation are enclosed.
4. An affidavit as to the correctness of the above information by the chief executive and two directors is also furnished herewith. We undertake to keep this information up to date by communicating changes or modifications therein within fourteen days of such change or modifications.
5. A Bank Draft No. _____ for rupees fifty thousand (Rs.50,000/-) in the name of the Commission, as non-refundable processing fee is enclosed.

Yours faithfully,

(To be signed by the Chief Executive and at least two directors)

FORM II
[See rule 5(2)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the _____
Registration No. _____

**CERTIFICATE OF REGISTRATION AS
PENSION FUND MANAGER**

The Securities and Exchange Commission of Pakistan, having considered the application for registration of the ** and being satisfied that the said **..... is eligible for registration, in exercise of the powers conferred by sub-rule (2) of rule 5 of the Voluntary Pension System Rules, 2005, hereby grants registration to the **..... subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

Signature of the Authorized Officer

(Official Seal and Stamp)

** Name of the company.

FORM III
[See rule 9(3)]

**INFORMATION TO BE CONTAINED IN THE APPLICATION FOR
AUTHORIZATION OF PENSION FUND**

- (1) Details of the parties to the pension fund;
 - (a) Name of the company, registered as Pension Fund Manager;
 - (b) Registered or business address; and
 - (c) Previous approval of the Commission to manage authorized pension fund, if any.
- (2) Structure of the pension fund.
- (3) Launch; date and place.
- (4) Valuation of assets.
- (5) Pricing policy of the units.
- (6) Fee structure and other charges.
 - (a) Front end fee (sales charge); and annual management fee; and
 - (b) level or basis of calculation of all other costs, charges, fees, etc., payable by the pension fund.
- (7) The trustee.
 - (a) Name.
 - (b) Registered or business address.
 - (c) Name of the ultimate holding company, if any.
 - (d) Previous approval of the Commission as trustee of authorized pension fund or any other fund. If no, names of the directors and most recent audited financial report.
 - (e) Letter of consent from the trustee.
- (8) For the trustee and Pension Fund Manager.
 - (a) Which, if any, of these companies are connected persons?
 - (b) Name anyone who holds appointments, as director or officer, with more than one of these companies.
- (9) Investment Advisor, if any.
 - (a) Name.
 - (b) Registered or business address.
 - (c) Name of ultimate holding company, if applicable.
 - (d) Copy of the contract of appointment.
- (10) The auditor.
 - (a) Name.
 - (b) Registered or business address.
- (11) The principal broker.
 - (a) Name.
 - (b) Registered or business address.
 - (c) Whether the trustee or any of the directors of the Pension Fund Manager is a connected person of the principal broker?
- (12) Legal Adviser.
 - (a) Name.
 - (b) Registered or business address.

SCHEDULE I

[See rule 7(1)(e) and (f)]

CONTENTS OF FINANCIAL REPORTS OF PENSION FUNDS

1. General.

- (a) Annual report must contain all the information required in this Schedule. Interim reports must at least contain the statement of asset and liabilities and the investment portfolio.
- (b) All reports must contain comparative figures for the previous period except for the investment portfolio.
- (c) The items listed under the statement of assets and liabilities, income statement, statement of movements in reserves and the notes to the accounts, where applicable, must be disclosed. It is, however, not mandatory to adopt the format as shown or to disclose the items in the same order.
- (d) All the statements and accounts referred hereunder should be prepared in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by Institute of Chartered Accountants of Pakistan from time to time;

2. Statement of assets and liabilities.

The following must be separately disclosed for each sub-fund, namely,-

- (a) total value of investments;
- (b) bank balances;
- (c) preliminary and floatation costs;
- (d) dividends and other receivables;
- (e) bank loan and overdrafts or other forms of borrowings;
- (f) amounts payable on withdrawal requests;
- (g) total value of all assets;
- (h) total value of all liabilities;
- (i) net asset value;
- (j) number of units issued per sub-fund; and
- (k) net asset value per unit of each sub-fund separately .

3. Income statement.

In the income statement, the following information shall be provided to the Commission, namely: -

- (a) total investment income net of tax, if any, broken down by category;
- (b) total other income, broken down by category;
- (c) an itemized list of various costs which have been debited to the pension fund including-
 - (i) fees paid to the Pension Fund Manager;
 - (ii) remuneration of the trustee;
 - (iii) amortization of formation costs;
 - (iv) safe custody and bank charges;
 - (v) auditor's remuneration;
 - (vi) borrowing expenses;
 - (vii) other amounts paid to any connected person of the pension fund;
 - (viii) legal and other professional fees; and

- (ix) any other expense borne by the pension fund;
- (d) taxes; and
- (e) amounts transferred to and from reserves.

4. Statement of movements in reserves.

In the statement of movements in reserves the following information shall be provided to the Commission, namely:-

- (a) value of the pension fund as at the beginning of the period;
- (b) number of units issued in each sub-fund and the amount received upon such issuance;
- (c) number of units withdrawn from each sub-fund and the amount paid thereon;
- (d) any item resulting in an increase or decrease in value of the pension fund including-
 - (i) surplus or loss on sale of investment;
 - (ii) exchange gain or loss;
 - (iii) unrealized appreciation or diminution in value of investment; and
 - (iv) net income for the period less distribution;
- (e) amounts transferred to and from the revenue account; and
- (f) value of the pension fund as at the end of the period.

5. Note to the accounts.

The following matters shall be set out in the notes to the accounts, namely:-

- (a) principal accounting policies:
 - (i) the basis of valuation of the assets of the pension fund including the basis of valuation of unquoted and unlisted securities;
 - (ii) the revenue recognition policy regarding dividend income and other income;
 - (iii) foreign currency translation, if any;
 - (iv) the basis of amortization of formation costs;
 - (v) taxation; and
 - (vi) any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions.

Note. – Any changes to the above accounting policies and their financial effects upon the accounts should also be disclosed;

- (b) disclosure of transactions with connected persons :-
 - (i) details of all transactions entered into during the period between the pension fund and the management company, or any entity in which these parties or their connected persons have a material interest; and
 - (ii) name of any director of the management company of any connected person if such person becomes entitled to profits from transactions in shares or from management of the pension fund and the amount of profits to which such person becomes entitled.
- (c) borrowings,-
 - (i) state whether the borrowings are secured or unsecured and the duration of the borrowings;
 - (ii) contingent liabilities and commitments of the pension fund; and

- (iii) if the free negotiability of any asset is restricted by statutory or contractual requirements, this must be stated.

6. Contents of the auditors' report.

The report of the auditor should state,-

- (a) whether in the auditor's opinion, the accounts prepared for that period have been properly prepared in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005;
- (b) without prejudice to the foregoing, whether in the auditor's opinion, a true and fair view is given of the disposition of the pension fund at the end of the period and of the transactions of the pension fund of the period then ended;
- (c) whether the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- (d) whether the cost and expenses debited to the pension fund are as specified in the constitutive documents of the pension fund;
- (e) if the auditor is of opinion that proper books and records have not been kept by the pension fund or the accounts prepared are not in agreement with the pension fund's books and records, that fact; and
- (f) if the auditor has failed to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of the audit, that fact.

7. Investment portfolio.

Information regarding investment portfolio should state, -

- (a) number or quantity of each holding together with the description and market value ;
- (b) the total investment stated at cost;
- (c) the value of each holding as a percentage of net asset value and paid up capital of that company whose securities are owned; and
- (d) statement of movements in portfolio holdings i.e. purchased and sold during the period, since the end of the preceding accounting period.

8. Performance table.

The following information shall be provided to the Commission, namely :-

- (a) a comparative table covering the last five financial years and including, for each financial year, at the end of the financial year,-
 - (i) total net asset value in each sub-fund; and
 - (ii) net asset value per unit in each sub-fund; and
- (b) a performance record over the last ten financial years; or if the pension fund has not been in existence during the whole of that period in which it has been in existence, showing the highest and lowest issue price of the units during each of those years.

SCHEDULE II

[See rule 9(3)(a)]

CONTENTS OF THE CONSTITUTIVE DOCUMENT OF THE PENSION FUND

1. Constitution of the pension fund.
Name, registered address and place and date of authorization of the pension fund.
2. Governing law.
3. Operators and principals.
The names and registered address of the following parties, where applicable:
 - (a) the directors of the company registered as Pension Fund Manager;
 - (b) the trustee;
 - (c) foreign promoters, if any;
 - (d) the distribution company, if any;
 - (e) the auditor;
 - (f) the legal adviser; and
 - (g) the investment advisor, if any.
4. Characteristics of pension fund.
The following shall be characteristics of pension fund; namely:-
 - (i) eligibility;
 - (ii) application procedures;
 - (iii) contribution procedures and minimum contribution, if any;
 - (iv) individual pension account;
 - (v) change of pension fund manager;
 - (vi) register of the participants;
 - (vii) retirement age;
 - (viii) benefits on retirement;
 - (ix) withdrawal of funds before retirement;
 - (x) benefits on death before retirement;
 - (xi) instructions from the participants;
 - (xii) the method of determining net asset value of the pension fund;
 - (xiii) frequency of valuation of the assets and dealings etc;
 - (xiv) unit pricing and the circumstances under which it can change;
 - (xv) the mode of announcement of net asset value and unit price;
 - (xvi) redemption of units on change of pension fund manager or withdrawal;
 - (xvii) the maximum interval between the request for redemption of units and the payment of the proceeds; and
 - (xviii) withholding tax and tax penalty.
5. Fees and charges.
The following must be stated, namely: -
 - (a) The maximum upfront fee payable to the Pension Fund Manager out of the contributions;
 - (b) the maximum fee payable to the Pension Fund Manager as annual management fee, expressed as a percentage of the net asset value of the pension fund;

- (c) the level and basis of all other costs, fees and charges payable by a participant.
 - (d) remuneration payable to trustee and investment advisor; and
 - (e) the level and basis of all other costs, fees and charges, etc., payable out of the pension fund.
6. Investment policy and restrictions.
Details of investment policy, including summary of the investment and borrowing restrictions. If the nature of the investment policy so dictates, a warning that investment in the pension fund is subject to risks, and a description of the risks involved.
7. Statements and declarations.
The following shall be the statements and declarations, namely:-
- (a) a statement to specify the participating parties including the Pension Fund Manager, trustee and investment advisor;
 - (b) a statement of the obligations of the Pension Fund Manager in accordance with the Voluntary Pension System Rules, 2005;
 - (c) statement of the obligation of the trustees and manner in which the trustee may retire in accordance with the Voluntary Pension System Rules, 2005;
 - (d) a statement that the trust deed is binding on each participant as if he had been a party to it and so to be bound by its provisions and authorizes and requires the trustee and the pension fund manager to do as required of them by the terms of the deed;
 - (e) a declaration that the property of the pension fund is held by the trustee on trust for the participants of the pension fund *pari passu* according to the number of units held by each participant in each sub-fund of his individual pension account;
 - (f) a statement that the trustee will report to participants in accordance with the Voluntary Pension System Rules, 2005; and
 - (g) a statement of the base currency of the pension fund.
8. A summary of the circumstances in which dealing in pension fund may be deferred or suspended.
9. It must be stated that no money should be paid to any intermediary except the Pension Fund Manager or his authorized representative as prescribed.
10. Distribution restriction policy.
The distribution restriction policy shall indicate the fact that distribution of dividend shall not be allowed under the voluntary pension system.
11. Taxation.
Details of exemptions, taxes levied on the pension fund's income, tax penalty and withholding tax deductible on early withdrawal of the contributions.

12. Reports and accounts.
The date on which the annual accounting period of the pension fund shall end each year.
Particulars of the periodic reports to be sent to the participants and the Commission.
13. Warnings.
The following statements or warnings must be prominently displayed in the constitutive documents, namely: -
 - (a) If you are in any doubt about the contents of this constitutive document, you should consult your stock-broker, bank manager, legal adviser or other financial adviser; and
 - (b) a warning that the price of the units of the sub-funds of the pension fund and the income from them may go down as well as up.
14. Transactions with connected persons.
This must be stated, in accordance with the Voluntary Pension System Rules, 2005;
15. Termination of pension fund.
A summary of the circumstances in which, the pension fund can be terminated and consequences thereof, in accordance with the Voluntary Pension System Rules, 2005;
16. Modification of the constitutive documents.
A statement of the means by which modifications to the constitutive documents can be effected, if any.

[F. No. 3(24)Inv-II/2004]

(Muhammad Iqbal Hussain)
Sr. Joint Secretary (Investment)