

**THE PARTICIPANTS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE OFFERING DOCUMENT IN PARTICULAR THE RISK FACTORS MENTIONED IN CLAUSE 9 AND WARNINGS IN CLAUSE 18 BEFORE MAKING ANY DECISION**

# **Offering Document**

## **Pakistan Pension Fund (PPF)**

### **A Voluntary Pension Fund**

**Managed By:**

**Arif Habib Investment Management Limited**

**Pension Fund Manager**

**Registered under the  
Voluntary Pension System Rules, 2005**

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Please note that this 'Offering Document' is comprised of ----- parts which should be read in conjunction with each other and Arif Habib Investment Management Limited has prepared and accepted responsibility for the 'Offering Document'. The contents of the 'Offering Document' are accurate as of 27<sup>th</sup> June 2007.

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# 1. INTRODUCTION OF THE PAKISTAN PENSION FUND – (PPF)

## 1.1. INTRODUCTION OF PENSION FUND

### SUMMARY

Fund Name	<b>PAKISTAN PENSION FUND (PPF).</b>
Fund Structure	Voluntary Pension Fund under Voluntary Pension System Rules, 2005.
Fund Objective	<b>Pakistan Pension Fund (PPF)</b> constituted under the Voluntary Pension System Rules, 2005, is a very <b>flexible savings-cum-investment Scheme</b> which facilitates individuals to save for their retirement in a systematic way, topping up their savings with investment returns at their desired investment exposures and granting them <b>special tax benefits</b> , with numerous valuable options before, at and after retirement.
Investment Objective	The investment objective of PPF is to seek steady returns with a moderate risk for investors by investing in a portfolio of equity, short medium term debt and money market instruments.
Eligibility	All individuals Pakistani nationals are eligible to contribute to PPF, directly, as well as through their employers.
Minimum Contribution	The minimum amount of contribution to open an account is Rs.1,000/- and the minimum amount for adding to an existing account is Rs.1,000/- per transaction. There is no maximum limit.
Contribution Frequency	Eligible persons or their employers are allowed to contribute in one lump sum or in instalments.
Contribution Mechanism	Participants or their employer on their behalf can deposit the contributions to PPF in the account of “ <b>Trustee – Pakistan Pension Fund</b> ” in the following manner: <ul style="list-style-type: none"><li>• Direct bank transfer.</li><li>• Standing instructions from the Participants to their bank for regular transfer of contribution.</li><li>• In the form of “Account Payee Only” cheques, Payment Orders or demand drafts or</li><li>• Any other electronic form of transfer.</li></ul>
Investment Mechanism	The investment philosophy for each asset class is based on independent, fundamental analysis of the sector and the company for the equity class; for the debt and money market asset classes we will assess the trend and volatility in interest rates. For equity, individual stock selection will be on the basis

	of growth and value considerations while the debt and money market individual security selection will be based on credit quality and valuation considerations
Reallocation Policy	Reallocation of Units between the Sub-Funds will be carried out at least once a year to ensure that the allocations of Sub-Fund Units of all the Participants are according to the selected allocation percentages of the Participants.
Front End Fee	Maximum Front-end Fee of 3% on contributions to the Pakistan Pension Fund, unless such contributions are exempt from a Front-end Fee.
Bid / Offer Spread	Nil
Allocation of Units	Units of Sub-Funds will be issued as per the selection of <b>any one</b> Allocation Scheme of the contributions between the Sub-Funds by the Participants at the date of opening his/her Individual Pension Account and on any anniversary thereafter
Management Fee	Management fee not exceeding 1.5% of the average of the values of the net assets of each of the Sub-Fund
Taxation	Tax advantages on the contributions by the Participant during any Tax Year subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001),
Withdrawal	<p>Participants, at the date of retirement, shall redeem all the Units of the Sub-Funds at the Net Asset Value notified at close of the day of retirement. The Participant will then have the following options, namely:</p> <ul style="list-style-type: none"> <li>(a) To withdraw the total amount in his Individual Pension Account, subject to the deduction of tax as per provisions of Income Tax Ordinance, 2001;</li> <li>(b) To withdraw up to twenty five percent of the amount in his Pension Account, as cash;</li> <li>(c) To use the remaining amount to purchase an Annuity from a Life Insurance Company of his choice; or</li> <li>(d) Enter into an agreement with the Pension Fund Manager to transfer his balance to an Approved Income Payment Plan offered by the Pension Fund Manager or another pension fund manager and withdraw from it, monthly instalments till the age of seventy five years or earlier.</li> </ul>
Early Withdrawal	Participants at any time before retirement are entitled to redeem the total or part of Units of the Sub-Funds to his/her credit in the Individual Pension Account. Tax will be deducted subject to the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001), from time to time

Transfer	Participants of PPF will be entitled to transfer their individual Pension Accounts from PPF to another Pension Fund managed by another pension fund manager
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## 2 REGULATORY APPROVAL AND CONSENT

### 2.1 DEFINITIONS

Unless the context requires otherwise, all words, terms or expressions used in this Offering Document will have the meaning assigned to them in clause (23) hereof or in the Trust Deed.

### 2.2 REGISTRATION OF THE PENSION FUND MANAGER

Arif Habib Investment Management Limited (the “**Pension Fund Manager**” or “**AHIM**” or the “**Offeror**”), having its registered office at 2/1, R.Y. 16, Old Queens Road, Karachi, Pakistan, and having been registered as “**Pension Fund Manager**” under sub rule (2) of rule (5) of the Voluntary Pension System Rules, 2005, (the “**Rules**”) by the Securities and Exchange Commission of Pakistan (the “**Commission**”) vide its “**Certificate of Registration**” as Pension Fund Manager No. SECP/PW/Reg-01/2007 dated January 08, 2007 appended hereto as Annexure “C”.

### 2.3 AUTHORISATION OF THE PAKISTAN PENSION FUND

The Pension Fund Manager has been authorized by the Commission vide its letter No. SEC/SCD/PW-AHIML-01/2007/II dated June 14, 2007 appended hereto as Annexure “D”, to constitute an Pension Fund under the name and title of Pakistan Pension Fund (hereinafter referred to as the “**Pakistan Pension Fund**”, “**Pension Fund**” or **PPF**, or “**Trust**”) and authorised the formation of a scheme, under the name, “**Pakistan Pension Fund**”, under rule (9) of the Voluntary Pension System Rules, 2005.

### 2.4 APPOINTMENT OF THE TRUSTEE

Muslim Commercial Financial Services (Pvt.) Limited ( “**MCFSL**” or the “**Trustee**”), having its registered office at 3<sup>rd</sup> floor Adamjee House, I. I. Chundrigar Road, Karachi - 74000, Pakistan, has been approved by the Commission to act as the Trustee of “**Pakistan Pension Fund**” vide its letter No. 9 (1) SEC/SCD/PW-AHIML/2007 dated May 24, 2007 appended hereto as Annexure “T”.

### 2.5 REGISTRATION OF TRUST DEED

The Pension Fund Manager has been authorised by the Commission vide its letter No. 9 (1) SEC/SCD/PW-AHIML/2007 dated May 24, 2007, appended hereto as Annexure “H”, to execute and to register the Trust Deed.

### 2.6 APPROVAL OF OFFERING DOCUMENT

This Offering Document sets out the arrangements covering the basic structure of the **Pakistan Pension Fund**. The provisions of the Trust Deed and Voluntary Pension System Rules, 2005 (“the Rules”) hereafter govern this Offering Document. It sets forth information about the Fund that a prospective Participant should know before contributing to Pakistan Pension Fund. Participants should read the Offering Document

carefully prior to contributing to / participating in the Fund, and retain the Offering Document for future reference.

The Commission has, vide its letter No. 22 (1) SEC/SCD/PW-AHIML-01/.2007/I dated June 27, 2007 approved this Offering Document as per the guidelines for Authorisation of Pension Fund under sub rule (1) of rule (9) of the Voluntary Pension System Rules, 2005.

**However, it must be distinctly understood that such an approval or authorisation by the Commission neither implies official recommendation by the Commission to participate in / contribute to the Pension Fund nor does the Commission take any responsibility for the financial soundness of the Pension Fund and its Sub-Funds or for the correctness of any statements made or opinions expressed in this Offering Document.**

**If you have any doubt about the contents of this Offering Document, you should seek independent professional advice, from your legal, financial or tax advisor.**

**This Offering Document contains necessary information for the public to make an informed Participation decision in the Pension Fund described herein. The participants are advised, in their own interest, to carefully read the contents of the Offering Document, in particular, the risks mentioned in Clause 9 and Warnings in Clause 18, before making any participation/contribution decision. Participants may note that this Offering Document remains effective until a material change occurs and they should retain this Offering Document for future reference. Material changes shall be filed with the Securities and Exchange Commission of Pakistan (SECP) and circulated to all Participants or may be publicly notified by advertisements in the newspapers subject to the applicable provisions of the Trust Deed and the Rules. Participants must recognize that all investments involve varying levels of risk. The portfolios of the Sub-Funds of PPF consist of market-based investments and are subject to market fluctuations and risks inherent in all such investments. It should be noted that the value of Units of the Sub-Funds can fall as well as rise. It should also be noted that under certain circumstances the realisation of Units may be restricted.**

### **3 FILING OF THE OFFERING DOCUMENT**

The Pension Fund Manager has filed a copy of this Offering Document with the Securities and Exchange Commission of Pakistan (SECP), signed by all Directors of the Pension Fund Manager, along with copies of the Documents mentioned below:

- (1) Trust Deed, dated June 04, 2007, executed between AHIM and the Muslim Commercial Financial Services (Pvt.) Limited ( "MCFSL"), appointing the MCFSL as Trustee to the Fund;
- (2) Letter dated June 27, 2007 from the Auditors giving the subscription to the Units of PPF by the core investors.
- (3) Consents of the Auditors, Legal Advisor and Trustee to their respective appointments and having been named and described as such in this Offering Document.
- (4) Letter No. SECP/PW/Reg-01/2007 dated January 08, 2007 from SECP, licensing AHIM to undertake Pension Fund Manager services, under the Voluntary Pension System Rules, 2005.
- (5) Letter No. 9 (1) SEC/SCD/PW-AHIML/2007 dated May 24, 2004 from SECP to AHIM, approving MCFSL to act as the Trustee of Pakistan Pension Fund (PPF) under the Voluntary Pension System Rules, 2005.
- (6) Letter No. 9 (1) SEC/SCD/PW-AHIML/2007/08 dated June 29, 2007 from SECP to AHIM, authorizing Pakistan Pension Fund (PPF) under the Voluntary Pension System Rules, 2005.
- (7) Letter No. 22 (1) SEC/SCD/PW-AHIML/2007/1 dated June 27, 2007 from SECP to AHIM approving this Offering Document under the Voluntary Pension System Rules, 2005.

## **4 CONSTITUTION OF PAKISTAN PENSION FUND**

### **4.1 CONSTITUTION**

The Fund has been established through a trust deed (the “**Trust Deed**”), dated June 04, 2007 under the Trust Act, 1882 (II of 1882), executed between:

- (1) Arif Habib Investment Management Limited (the “**Pension Fund Manager**” or “**AHIM**” or the “**Offeror**”), having its registered office at 2/1, R.Y. 16, Old Queens Road, Karachi, Pakistan, and having been licensed to provide Pension Fund Manager services under the Voluntary Pension System Rules, 2005, (the “**Rules**”) by the Securities and Exchange Commission of Pakistan (the “**Commission**”) vide its letter No. SECP/PW/Reg-01/2007 dated January 08, 2007, of the one part; and
- (2) Muslim Commercial Financial Services (Pvt.) Limited ( “**MCFSL**” or the “**Trustee**”), a wholly owned subsidiary of MCB Bank Limited, having its registered office at 3<sup>rd</sup> floor Adamjee House, I. I. Chundrigar Road, Karachi -74000, Pakistan, and having been approved by the Commission to act as the Trustee vide its letter No. 9(1) SEC/SCD/PW-AHIML/2007 dated May 24, 2007, of the other part.

### **4.2 TRUST DEED**

The Trust Deed is subject to, and governed by, the laws of Pakistan, including the Ordinance, the Rules and all other applicable laws, rules and regulations and will be deemed, for all purposes, whatsoever, to incorporate the provisions required to be contained in a trust deed by the Rules as a part and parcel thereof and, in the event of any conflict between the Deed and the Rules, the latter will supersede and prevail over the provisions contained in the Deed.

The terms and conditions of the Trust Deed, and any Deed supplemental thereto, will be binding upon each Participant.

### **4.3 GROUNDS OF MODIFICATION OF THE TRUST DEED**

The Pension Fund Manager and the Trustee, acting together with the approval of the Commission, will be entitled, by supplemental deed, to modify, alter, or add to the provisions of the Trust Deed on any of the following grounds:

- (a) To the extent required to ensure compliance with any applicable laws, rules and regulations;
- (b) To enable the provisions of the Trust Deed to be more conveniently or economically managed; or
- (c) For the benefits of the Participants;

Provided that in the case of (b) and (c) mentioned above, such alteration or addition shall not prejudice the interests of the Participants and, in any event, it shall not release the Trustee or the Pension Fund Manager from their responsibilities.

Provided further that notice of any material modification will be given to the Participants and participating employers of the PPF at least 30 days before such material modification becomes effective.

**If the Commission grants any relaxations or exemptions of Rules for the Pension Fund, these shall be deemed to be part of this Document without the need to alter it. However, in cases of significant changes, the Commission may require issuance of a supplementary Offering Document from time to time.**

#### 4.4 SEED CAPITAL

Seed capital of Pakistan Pension Fund has been provided by the Pension Fund Manager as under:

Sub Funds	No of Units	Rupees
PPF Equity Sub-Fund	300,000	30,000,000
PPF Debt Sub-Fund	300,000	30,000,000
PPF Money Market Sub-Fund	300,000	30,000,000

Seed Capital Units subscribed by AHIM will be issued at the par value and will not be redeemable for a period of three years from the date of issue or as may be determined by the Commission.

#### 4.5 TYPE / FEATURES OF UNITS OF SUB-FUNDS

The Pakistan Pension Fund will initially consist of three Sub-Funds to be called PPF Equity Sub-Fund (the **“Equity Sub-Fund”**), PPF Debt Sub-Fund (the **“Debt Sub-Fund”**) and PPF Money Market Sub-Fund (the **“Money Market Sub-Fund”**) (collectively, the **“Sub-Funds”**)

The Pakistan Pension Fund is divided into Units having an initial issue value of Rs. 100/- per Unit. This price is applicable to the Core Units. The amount received on account of Seed capital will be allocated to the respective Sub-Funds. Thereafter, all Units of the Pakistan Pension Fund will be issued and redeemed on the basis of the Net Asset Value notified by the Pension Fund Manager at the close of each Business Day.

Units of Sub-Funds will be issued to a Participant as per the selection of *any one* Allocation Scheme for the contributions between the Sub-Funds, by the Participants, at the date of opening his/her Individual Pension Account and on any anniversary thereafter.

## 5. OPERATORS AND PRINCIPALS

### 5.1 PENSION FUND MANAGER

#### Name and Address

Arif Habib Investment Management Limited (AHIM)  
2/1, R.Y. 16, Old Queens Road,  
Karachi

Arif Habib Investment Management Limited (AHIM) is registered with the Commission as an Asset Management Company and Investment Advisory Company under the NBFC Rules and also as a Pension Fund Manager under the Rules. AHIM started operations under the NBFC Rules by offering two Funds with a total seed capital of Rs. 500 million in March 2002. Currently offering both Closed and Open-end collective investment schemes, AHIM manages assets in excess of Rs. 22 billions. AHIM has developed a number of products for retail Participants and set-up a network of branches and Sales Agents that give it outreach into major cities of Pakistan. It currently operates five Open-end and two Closed-end Mutual Funds.

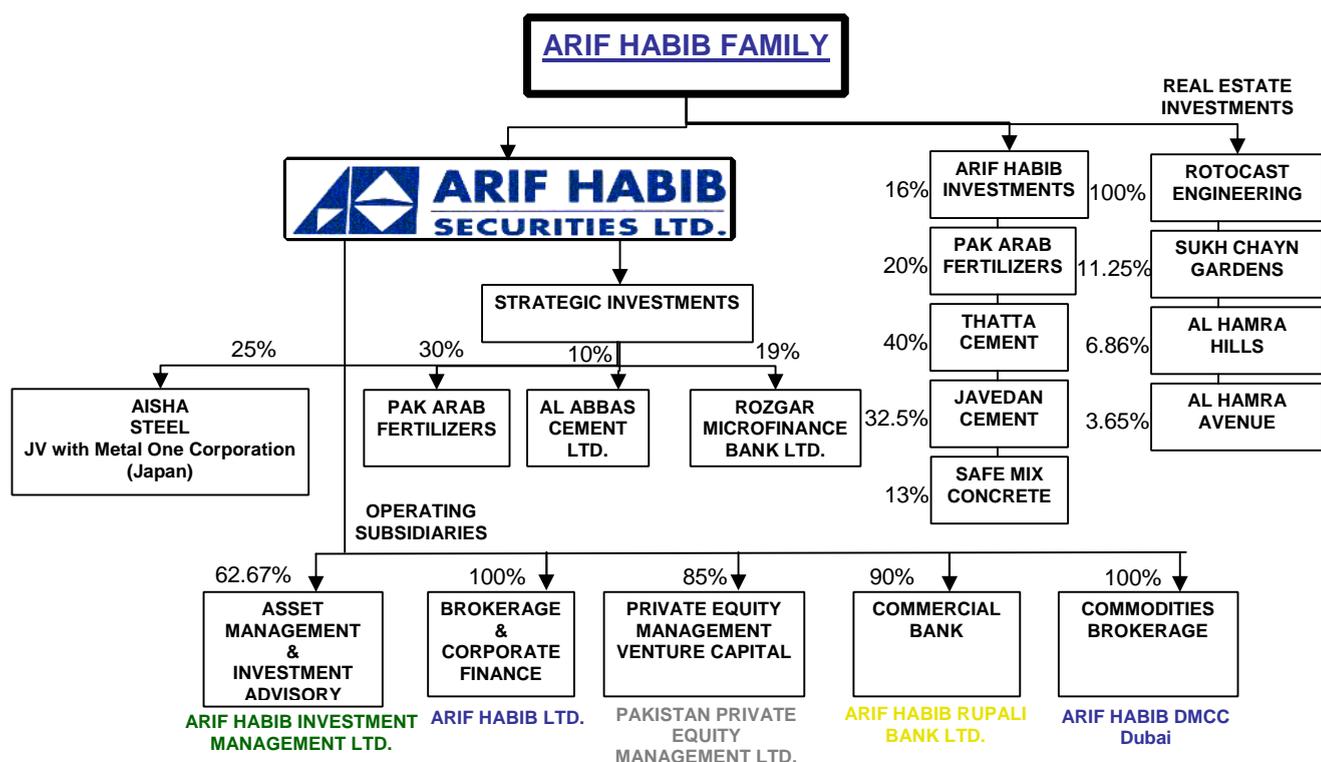
#### Rating of AHIM

Management Company/Funds	Rating Agency	Rating	Rating Reflects
Arif Habib Investment Management Ltd (AHIM)	PACRA	AM2  A+ A1	<b><u>Management Rating</u></b> The rating reflects the company's meets very high investment management industry standards and benchmarks with noted strengths in several of the rating factors.  <b><u>Credit Rating</u></b> long term rating short term rating These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

#### MAIN SPONSOR OF THE PENSION FUND MANAGER

The main sponsor of the Pension Fund Manager is Arif Habib Securities Limited ("AHSL"). AHSL is a public limited company listed on all three Stock Exchanges in Pakistan since 2001. The company was formed to continue the brokerage business that Mr. Arif Habib, Group Chairman, had formed in the late 1980s. Due to its excellent management, the company has made profits in every year since its incorporation and has been awarded the 'Best 25 Companies' award for each year since listing. The current

Share holders Equity of the company stands at over Rs. 12 billion and it has a record of being profitable for each year since its formation even in the midst of market declines and other crisis.



## 5.2 FUNDS UNDER MANAGEMENT

AHIM, which offers both Closed and Open-end collective investment schemes, currently manages assets in excess Rs. 22 billions under the NBFC Rules, 2003. The Net Assets of the Funds are as:

S. No	Name of Fund	Net Assets (Rs.)
1.	Pakistan Stock Market Fund	3.182 billion
2.	Pakistan Income Fund	8.869 billion
3.	Pakistan International Element Islamic Fund	1.125 billion
4.	MetroBank Pakistan Sovereign Fund	1.365 billion
5.	Pakistan Capital Market Fund	1.035 billion
6.	Pakistan Premier Fund	2.729 billion
7.	Pakistan Strategic Allocation Fund	3.876 billion

## **5.3 PARTICULARS OF DIRECTORS AND KEY MANAGEMENT**

### **Directors**

#### **John Kirkham,**

Mr. John Kirkham is a fund management professional with proven ability to build investment and fund management businesses. Mr. Kirkham has built a number of companies from inception. He has been in the financial services industry since 1970 of which a substantial portion has been in the asset management sector, both in the developed as well as the emerging markets.

#### **Nasim Beg, Chief Executive**

Mr. Nasim Beg is the founder and Chief Executive of Arif Habib Investment Management Ltd. He qualified as a Chartered Accountant in 1970 and has, over the years, worked in the financial sector as well as in the industry. Mr. Beg served as the Deputy Chief Executive of NIT, which he joined during its troubled period, and played an instrumental role in its modernization and turn around. He also served as the Chief Executive for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies. His experience in the financial sector consists of both the domestic market as well as the international markets.

#### **Muhammad Akmal Jameel, Director**

Mr. Akmal Jameel, a Chartered Financial Analyst, is the Chief Executive of Pakistan Private Equity Management Limited and has deep experience of corporate finance and private equity transactions. In addition, he also serves on the Board of Directors of AHSL, AHIM and Rozgar Microfinance Bank Ltd. He has over 15 years of experience in financial markets and financial consulting in Pakistan and the Gulf. He has previously worked at Ernst & Young in Saudi Arabia, and with Anjum Asim Shahid & Company (Grant Thornton Associates) and Hagler Bailly Pakistan. He has extensive experience in structuring projects, evaluating private equity proposals and conducting feasibility studies and was previously responsible for corporate finance and business development at AHSL.

#### **Sirajuddin Cassim, Director**

Mr. Sirajuddin Cassim is a Chartered Accountant and Director of AHSL. With over 40 new listings and public offers to his credit, he has vast technical experience in all aspects of public offers, from valuation to document preparation to listing on all three Stock Exchanges. Mr. Sirajuddin Cassim, a former Partner in Daudally Siraj & Company, Chartered Accountants, has been engaged in financial & investment advisory and corporate consultancy services since 1985. He has been a member of the Karachi Stock Exchange since 1975 and served on the Board of Directors in the years 1990 and 1991. He has served as its Vice President in 1993 and as President in 1995. He also served as Chairman of the CDC in 1995 and as the Vice President of the Institute of Chartered Secretaries and Managers from 1997 to 2000.

Mr. Cassim served as the Executive Director of Standard Chartered Mercantile Leasing Company Limited from 1989 to 1998. He has served as a member of the Taxation &

Fiscal and Banking & Fiscal sub-Committees of the Karachi Chamber of Commerce and Industries and attended the General Assembly Meeting and Technology Meeting of the Federation of Euro-Asian Stock Exchange in the year 1995 and 1996

### **Salim Chamdia, Director**

Mr. Salim Chamdia is a member of the Institute of Chartered Accountants in Pakistan. He is an experienced veteran of the Karachi Stock Exchange. He has been engaged in financial & investment advisory and corporate consultancy services since 1985. He has been a member of the Karachi Stock Exchange from 1991 to 2000 and served on the Board of Directors from 1993 to 1994 and 1996 to 2000. He has served as its Vice Chairman from 1999 to 2000 and as Vice President in 1997. He has held both the Chairmanship of the Karachi Stock Exchange in 2002 and the National Commodity Exchange Limited (NCEL) from 2002 to 2004.

Mr. Chamdia has headed various committees in the implementation of effective, efficient and reliable treasury procedures and the transfer of trading from Open Outcry System to Automated Trading System (KATS). He was fully involved in the evolution, introduction and implementation process of the Central Depository System, electronic transfer of shares in Pakistan

### **Muhammad Shafi Malik, Director**

Mr. Muhammad Shafi Malik holds a Master's degree in Public Administration from Harvard University and a Master's Degree in Economics from the University of Punjab. He has done L.L.B, D.L.L and D.T.L with distinction and was awarded the gold medal in Mercantile Law & Labour Law. He has attended more than a dozen courses/seminars in national and international institutions of high repute like S.T.I, FSA, NIPA, computer Bureau, Pakistan Administrative Staff College, JICA, NTA (Japan), ITPO (USA) and ADBP Institute (Manila).

He has diversified experience of serving, with distinction, for more than 30 years in public offices, corporations and institutions of national importance like C.B.R., Director General Enquiries/Inspection & Audit CBR, Regional Commissioner and Commissioner of Income Tax. He also served as General Manager Audit and Finance in State Cement Corporation of Pakistan (SCCP) and National Fertilizer Corporation (NFC), respectively, before his promotion as Commissioner. He served as Chairman Employees Old Age Benefit (EOBI) for three years before his retirement in April 2005. He worked as consultant with a leading law firm Walker Martinue Saleem before joining the Group. Having valuable experience of management, legal consultancy, adjudication, audit and financial management, he is capable of tendering advice on administrative, legal, corporate affairs and strategic planning. He represents the Group on the Boards of the associated companies.

### **Kashif A. Habib, Director**

Mr. Kashif A. Habib obtained a Bachelor of Commerce degree in 2004 and has also passed modules A, B, C & D exams of the Institute in Chartered Accountants in Pakistan. In October 2004, he joined M/s. A. F. Ferguson & Co., Chartered Accountants, for Articleship. He has three years' experience as an intern and as a Non-Executive Director in AHSL.

## **Key Management**

### **Syed Ajaz Ahmed, Company Secretary and Head of Operations**

Syed Ajaz Ahmed, ACMA, LLB, B.Com., having graduated in 1969, has acquired work experience in the financial services industry as well as in industrial undertakings. He is the CEO of Pakistan Premier Fund Limited of which AHIM is the investment advisor.

Syed Ajaz Ahmed has extensive national and international experience of the industry and financial sector, which spans over thirty six years. Mr. Ahmed has also served as a consultant at Taseer Hadi Khalid (an associate of KPMG) and the Malaysian Customs.

Mr. Ahmed's experience ranges from leasing to brokerage house to investment bank and asset management companies. He is also member of various Boards of Directors and Committees formed by the Boards

### **Aaliya K. Dossa, Executive Vice President, Chief Investment Officer**

Ms Aaliya Dossa is currently the Chief Investment Officer and is responsible for making investment decisions and executing trades for Equity and Debt portfolios. Aaliya's primary responsibility involves active asset allocation and investment strategy for investments of funds managed by Arif Habib Investments. Aaliya had spent over three years at the National Investment Trust Ltd. (NITL), working extensively on Portfolio Management System, Equity Research Database and proposed new Funds. For six years she was associated with domestic equities with both domestic and foreign securities firms. She is heading Equity Funds as a part of the investment committees for all Open and Closed-end Funds.

### **Syed Shaukat Hussain Rizvi, Executive Vice President, Head of Quality Assurance, Compliance & Operational Risk Management Department**

Syed Shaukat Hussain Rizvi heads the Quality Assurance, Compliance & Operational Risk Management Department. Currently Mr. Rizvi is also heading the Strategic Planning, New Products and Projects Department and is involved in launching Funds and looking into projects that would advance the interests of AHIM. He has extensive national and international experience of the industry and financial sector, which spans over forty years. He has comprehensive and diversified experience in areas such as finance, marketing and general management. His experience of over forty years also includes over ten years in asset management. His understanding of the asset management business and systems imposed by AHIM enables him to deliver the high standards of quality assurance that the company has set for itself.

**Muhammad Mohsin, Senior Vice President  
Head of Audit**

Mr. Muhammad Mohsin heads the Internal Audit Department of the company. He has extensive national and international experience of the industry and financial sector spanning over 20 years. He has been associated with local and foreign companies in top level positions of finance, audit, corporate & taxation affairs planning & budgeting, outsourcing services and IT development. He has also headed the Audit and Leading Department of a commercial bank.

**Moiz Mushir Ahmad Khan, Actuary & Vice President,  
Fund Manager Pakistan Pension Fund**

Being an Actuary and a key member of the Asset Allocation team, he is responsible for making investment decisions and executing trades for Pakistan Pension Fund. Moiz plays a dynamic role in the company where he works in coordination with the Chief Investment Officer. He uses his Actuarial skills and Product Development experience in structuring new products and generating sales by making initial contact with potential institutional investors for the Equities and Debt Funds.

As a very active and valuable member of the Actuarial Department of the largest life insurance company of Pakistan for almost five years, Moiz has had a very rich experience and a diversified exposure to various aspects of actuarial work. He has actively worked in 'Actuarial Valuations', 'Product Development & Pricing' and 'Group Life & Pensions' Reinsurance sections of the Actuarial Division.

**Basharat Ullah Khan, Senior Vice President, Equity & Specialized Funds**

Mr. Basharatullah is responsible for making investment decisions and executing trades for equities portfolios. His primary responsibilities involve active asset allocation and investment strategy for all equities Funds managed by Arif Habib Investments. He joined AHIM team in July 2003. He has diversified and valuable experience of more than 10 years in the capital markets of Pakistan. From 1992 to 1999, he worked as a financial analyst and head of research for some of the reputable brokerage houses in Pakistan. Before joining Arif Habib Investments, he worked as a senior dealer and head of equity sales with some leading brokerage houses of the Karachi Stock Exchange.

**Nazia Saleem, CFA, Senior Vice President, Head of Research**

Ms. Nazia Saleem, a Certified Financial Analyst, has the responsibility of managing the research function. She is also a member of the investment committees present at AHIM for its various Closed- and Open-end Mutual Funds. Nazia has deep experience of conducting rigorous financial analysis. Prior to joining AHIM in July 2005, she was unit head and non-voting member of the rating committee at JCR-VIS Credit Rating Company Limited. She was leading a team of analysts, preparing comprehensive credit analysis reports for ratings of financial institutions, including asset management companies and mutual funds, NBFCs, insurance and brokerage companies. Prior to joining JCR-VIS, she has also worked as an equity research analyst at a local brokerage company.

**Captain (R) Sikander Bakht Ansari, P.N., Senior Vice President,  
Head of Group Projects**

Captain Sikander Bakht Ansari heads the Group Projects department. Previously he was responsible for the institutional sales of the units of mutual funds being managed by the company. Mr. Ansari has extensive experience of the industry and financial sector. He was Marketing Advisor of ABAMCO Limited, the Asset Management Company, managing UTP (Unit Trust of Pakistan), the first Open end Mutual Fund in the private sector.

**Mohammad Zafar Rehman, Senior Vice President, Head of Institutional Sales**

Mr. Zafar is responsible for the corporate relationship management of AHIM financial products. His core strengths are marketing financial products and services to the domestic finance industry. He has an extensive knowledge of evaluation, structuring and executions of fixed-income products that are available in Pakistan. With fifteen years of total working experience, of which eight were spent in financial markets, Zafar is well outfitted with the dynamics of capital markets.

**Tanweer Haral, Senior Vice President, National Sales Manager**

Mr. Tanweer is responsible for the overall management of the retail sales network comprising of Sales Agents and retail distribution arrangements set up through banks and financial institutions. Mr. Tanweer has more than 12 years of extensive experience in corporate banking, risk management, financial analysis, Islamic banking and finance, corporate finance, sales and marketing in addition to managing his own SME. He has worked for a number of leading banks in Pakistan.

**Shahid K. Siddiqi, Senior Vice President, Head of Training**

After 4 years as Head of Investor Services Department, Mr. Siddiqi was seconded to the Mutual Funds Association of Pakistan (MUFAP) as a member of their Committee on Training and Certification with a mandate to develop a Training and Certification Program for the Selling Agents of all Mutual Funds in Pakistan.

In his current capacity as Head of Training, he is responsible for ensuring the proper training and testing of the Sales Staff, with particular emphasis on avoiding any mis-selling.

He has 44 years experience in the financial sector, having worked in senior positions in banking, leasing and industry.

**Asif Mehdi Rizvi, Senior Vice President, Operations**

Asif Rizvi is a Chartered Accountant and responsible for the supervision of the open end schemes and the calculation of daily Net Asset Valuation of those funds. He is also entrusted with the settlement department where he is mostly responsible for ensuring the compliance with the investment policy and liaison with the Trustees and the Brokers.

He had worked as Assistant Manager Finance in Tax department of Taseer Hadi Khalid

& Co. He had also served in Nandos Pakistan (Private) Limited as Finance Manager and Company Secretary.

**Asim Rafiq, Senior Vice President, Operations**

Asim is a Chartered Accountant and responsible to manage and supervise operational activities of both the Open-end and Closed-end Funds as well as the Management Company. His responsibilities also include supervision of Daily Net Asset Value (NAV), secretarial matters of Funds and Management Company, liaison with auditors, bankers, and trustees of these Funds.

He had worked as Assistant Manager in Tax department of A.F Ferguson & Co. He had also served in Adamjee Insurance Company Limited as Internal Audit Manager

**Zeeshan Muhammad Quddus, Senior Vice President, Operations**

Zeeshan is a Chartered Accountant and responsible to manage and supervise operational activities of both the Open End and Closed end Funds and the Asset Management Company. His responsibilities include supervision of Daily Net Asset Value (NAV), secretarial matters of the Funds and the Management Company, liaison with the auditors, bankers, and the Trustees of the Funds.

He has three years of experience with a group of companies involved in the textile weaving, garments, and the construction business.

**Faisal Younus Bawani, Senior Vice President, Information Technology**

Faisal is responsible for the development and maintenance of database and software systems, providing support to functions such as equity analysis and fixed income valuation. He is the Head of the IT department for the past 5 years

Faisal has also developed the Research and Analysis System for Assets Management Department of NIT (National Investment Trust) Limited Pakistan. This strategic system supports financial analysis and forecasting. The system calculates various financial ratios and indicators on the basis of very open-ended user-defined formulae.

Faisal has been recognized as “Architect of IT Industry” by ITCN Asia in 2004 & 2005.

**Imran Hasan, Senior Vice President, Head of Investor Service Department**

Mr. Imran Hasan is responsible for managing the Investor Services team; coordinating all information coming from or going to the investors and responds to all kinds of queries related to existing and potential customers. He is also responsible for processing the Investment/Redemption/Conversion forms with a systematic process designed for this activity and co-ordinates with the Registrars, Trustees, Distributors, Financial Institutions and AHI Branches for any customer related issues. He possesses over ten years’ experience in the field of marketing of financial services.

**Usman Mahmood, CFA, Vice President and Manager Debt Market Research & Sub-Fund Manager Pakistan Premier Fund**

Mr. Usman Mahmood's responsibilities include conducting in-depth research for the company's Fixed Income Portfolio, facilitating the Fund Manager for making different short term/long term portfolio strategies based on expected interest rate and duration/convexity scenario. In addition, he is also responsible for detailed credit analysis of fixed income securities for investment purposes.

Mr. Usman has been involved in rigorous financial analysis for over five years. Prior to joining AHIM in September 2006, he was working as Manager-Credit for Askari Commercial Bank, Head Office, Credit Division where his responsibilities included analyzing, structuring, approving, monitoring and rebalancing credit portfolio/package for corporate clients according to client's financial needs through risk-return tradeoff.

**Shaheryar H. Khan, Vice President, Specialized Funds**

Mr. Shaheryar is responsible for helping in managing the Specialized Funds Department, with a focus on Islamic Funds. One of the key focuses is in fund allocation in international markets and sourcing credible and viable opportunities for investment whilst making sure they comply with the Shariah Guidelines. He comes with a background in global equities and Forex trade management in USA.

**Captain (Retd) Muhammad Akram, TI (M), Pakistan Navy  
Vice President, Manager Human Resources & Administration**

Captain (Retd) Muhammad Akram heads the Human Resource & Administration Department. He is responsible to execute personnel policies/procedures in the best interests of the company and conduct training schedules. He is also responsible to manage and oversee all administrative aspects of company operations. Captain (Retd) Muhammad Akram has over 30 years of experience in Human Resources and Administration while serving in the Pakistan Navy.

**5.4 ROLE OF CHIEF OFFICER OF THE PAKISTAN PENSION FUND**

Mr. Moiz Mushir Ahmad Khan, Actuary & Vice President, the designated Fund Manager of the Pakistan Pension Fund (the Chief Officer), will, with the assistance of the specialized knowledge of the Equity and Fixed Income Fund Managers and based on the input from the Research Department, structure the portfolios for the individual sub-funds.

Additionally, the allocation of the asset classes within the Plans offered under the Pakistan Pension Fund, will be reviewed by the Financial Officer from time to time and based on the assessment of key economic indicators, the Chief Officer will, in conjunction with the Investment Committee, decide on the relative attractiveness and valuation of various asset classes available (i.e. equity, debt and money market). In case of a change in the economic circumstances, the Chief Officer will re-allocate the relative weights of the asset classes within the Plans with an appropriate increase or reduction in exposure in those asset classes that are expected to be most impacted. However, such changes shall be made within the limits given in the Prescribed Allocation Policy by the Commission.

## **5.5 DETAILS OF THE RESPONSIBILITIES, OBLIGATIONS AND RESTRICTIONS OF THE PENSION FUND MANAGER**

### **5.5.1 Responsibilities and Obligations**

- a) The responsibilities of the Pension Fund Manager are to invest and manage the assets of the Pakistan Pension Fund according to the provisions of the Deed and the Rules, in good faith, to the best of its ability and without gaining any undue advantage for itself or any Connected Person or its officers.
- b) The Pension Fund Manager shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as a Pension Fund Manager, whosoever designated, as if they were its own acts or omissions.
- c) The Pension Fund Manager shall account to the Trustee for any loss in value of the assets of the Pakistan Pension Fund caused by its negligence, reckless or wilful acts or omission.
- d) The Pension Fund Manager shall maintain 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 each Sub-Fund, all transactions for the account of the Sub-Funds, and contributions received by the Pakistan Pension Fund and withdrawals by the Participants including details of withholding tax deducted at source and transfers or receipts of balances in the Individual Pension Accounts of the Participants to or from other pension fund managers.
- e) The Pension Fund Manager will prepare and transmit an Annual Report, together with a copy of the Balance Sheet and Income and Expenditure Account, and the Auditors' Report of the Sub-Funds, within three months of closing of the Accounting Year, to the Commission and the Participants and the Balance Sheet and Income and Expenditure Account shall comply with requirements as set out in the Rules.
- f) The Pension Fund Manager will, within one month of the close of the first, second and third quarters of the Accounting Year of the Pakistan Pension Fund, prepare and transmit to the Participants and the Commission, a Balance Sheet as on the end of that quarter and a Profit and Loss Account for that quarter, whether audited or otherwise, of the Sub-Funds. However, the Pension Fund Manager may be allowed to post the said quarterly accounts on its website, instead of mailing them to the Participants, subject to the approval of the Commission.

- g) The Pension Fund Manager will maintain a register of Participants of the Pakistan Pension Fund and inform the Commission of the address where the register is kept. For this purpose it may appoint a Registrar, who is responsible for maintaining Participants' records and providing related services. The Registrar shall carry out the responsibility of maintaining Participants' records, issuing statements of account, receipts for contributions, processing withdrawals and all other related activities.
- h) The Pension Fund Manager will appoint, with the consent of the Trustee, at the establishment of the Pakistan Pension Fund and upon any vacancy, an Auditor independent of the auditor of the Pension Fund Manager and the Trustee and such Auditor will not be appointed for more than three consecutive years.
- i) The Pension Fund Manager will furnish to the Commission within one month of the close of the Accounting Year, (i) particulars of the personnel (executive, research and other) managing the Pakistan Pension Fund (ii) total number of Participants (iii) total value of all Individual Pension Accounts (iv) total Contributions for the previous year and (v) such other information as may be prescribed by the Commission from time to time.
- j) The Pension Fund Manager will send a Statement of Account as at 30<sup>th</sup> June and 31<sup>st</sup> December each year, within thirty days thereafter, to each Participant, confirming the aggregated transactions for that six month period and indicating the type(s) of contributions received: contribution from the employer or the Participant, incoming transfers from other pension fund manager(s) or incoming transfers from Provident Fund or transfer from a deceased person's account or other types of benefit disbursements: retirement, pre-retirement payment along with the taxes withheld, death benefit payment or transfer to heirs, outgoing transfer to purchase an Approved Annuity Plan from a life insurance company, outgoing transfer to other pension fund manager(s), withdrawals, premium deducted out of the contributions on account of the supplementary schemes, or other. The statements shall include details of 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. Additionally, the Participant will be entitled to receive a Statement, in respect of his account, at any time, on written application. Such information may also be posted on the website or emailed and furnished electronically, subject to prior approval of the Commission.
- k) The Pension Fund Manager as at 30<sup>th</sup> June each year will send to the Participants, a Certificate for claiming the tax credit confirming the total contribution made into their Individual Pension Accounts during the current Tax Year. The Pension Fund Manager will send the Certificate by 31<sup>st</sup> July each year.
- l) The Pension Fund Manager will, after intimating the Commission and the Trustee, from time to time, appoint, remove or replace one or more Distribution Company (ies) for carrying out the Distribution Function at one or more locations, on terms and conditions to be incorporated in the Distribution Agreement to be entered into between the Distribution Company and the Pension Fund Manager.

- m) The Pension Fund Manager will send any other Statement or Certificate to the Participants which may be necessary under the Rules.
- n) The Pension Fund Manager will 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.
- o) The Pension Fund Manager will not be under any liability except such liability as may be expressly assumed by it under the Rules and the Deed, and the Pension Fund Manager (save as herein otherwise provided) will be liable neither for any act or omission of the Trustee, nor for anything except its own negligence or wilful breach of duty hereunder. If, for any reason, it becomes impossible or impracticable to carry out the provisions of the Deed, the Pension Fund Manager will not be under any liability there for or thereby and it will not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

### **5.5.2 Restrictions for the Pension Fund Manager**

The Pension Fund Manager will not:

- (a) merge with, acquire or take-over management of any other pension fund or pension fund manager unless it has obtained the prior approval of the Commission, in writing, 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 it may purchase real estate for its own use out of its own shareholders' funds;
- (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 directors, officers or employees or a member of the family of such person, which shall include spouse(s), 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 percent to be exceeded if the connected broker offers advantages to the Pension Fund not available elsewhere.

### **5.5.3 Limitations and Prohibitions**

- (a) The Pension Fund Manager, on behalf of the Pension Fund, will not 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 purchase and resale transactions involving Government securities, or such eligible listed securities which are regulated by Stock Exchanges, shall not be prohibited by this sub-clause.

- (b) Borrowing will 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. Any such borrowing shall be immediately communicated to the Commission with details of amount and payback plan.
- (c) The Pension Fund will 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 or officers of the Pension Fund Manager own more than ten per cent of those securities.
- (d) 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.

#### **5.5.4 Retirement or Removal of Pension Fund Manager**

- a) The Pension Fund Manager may retire at any time after issuing three months' (90 Calendar days') notice to the Participants about its intention, with the prior written consent of the Commission and the Trustee.
- b) The Trustee may, with the prior approval of the Commission, remove the Pension Fund Manager if any of the following events have occurred:
  - i. The Pension Fund Manager has contravened the provisions of this Offering Document and the Deed in any material respect and has failed to rectify the contravention within (1) 30 days from the date of notification in writing, under intimation to the Commission or (2) such other period as may be specified by the Commission, in respect of the subject contravention ; provided that such notice per se shall not be considered as an admission of contravention on part of the Pension Fund Manager who shall have the right to defend such action;
  - ii. The Pension Fund Manager goes into liquidation (other than voluntary liquidation on terms previously agreed to with the Trustee for purpose of reconstruction and amalgamation); or
  - iii. A receiver is appointed over any of the assets of the Pension Fund Manager.
- c) If the Commission is of the opinion that the Pension Fund Manager has contravened any provision of the Rules, or has otherwise neglected or failed to comply with any order or direction of the Commission or with any requirement of the 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, and considers that it would be in the interest of the Participants so to do,

the Commission, on its own motion or on the report of the Trustee, by order in writing and after providing the opportunity may immediately :-

- i. cancel or suspend the registration of the Pension Fund Manager;
  - ii. remove the Pension Fund Manager managing the Pension Fund;
  - iii. issue appropriate orders to the Pension Fund Manager;
  - iv. order compensation to be paid to the Participants;
  - v. impose fine; or
  - vi. take any combination of the above mentioned actions.
- d) The Commission may cancel the registration of the Pension Fund Manager or impose fine on it if, in the opinion of the Commission, the performance of the Pension Fund Manager is substantially below par and the investment return in the Sub-Funds, during any particular year, is well below the specified benchmark.
- e) If the Commission has cancelled the registration of the Pension Fund Manager under the provisions of the Rules, as outlined in sub-clause (c) and (d) above, the Commission shall appoint another pension fund manager to manage the Pakistan Pension Fund according to the provisions of this offering Document and the Deed and the Rules.
- f) The removal of the Pension Fund Manager and appointment of a new pension fund manager shall always require the prior approval of the Commission.
- g) Upon a new pension fund manager being appointed, the Pension Fund Manager will take immediate steps to deliver all the documents and records pertaining to the Trust to the new pension fund manager and shall pay all sums due to the Trustee.
- h) Upon its appointment the new pension fund manager shall exercise all the powers and enjoy all rights and shall be subject to all duties and obligations of the Pension Fund Manager hereunder, as fully as though such new pension fund manager had originally been a party hereto.
- i) If so directed by the Commission, the Pension Fund Manager shall not receive any Contributions from any of the Participants or make any other transaction on account of the Pension Fund as from the date of issue of such notice as referred to in sub-clauses b, c and d above.
- j) The Trustee shall ensure that accounts of the Pension Fund, till the day of the appointment of the new Pension Fund Manager, are audited by the Auditors of the Fund and the Audit Report is submitted, within one month from the date of such appointment, to the Commission and the Trustee. The Trustee, with the approval of the Commission, shall decide the cost of such interim audit and the same may be charged to the Trust with the prior approval of the Commission.

## 5.6 TRUSTEE AND ITS RESPONSIBILITIES AND OBLIGATIONS

The Trustee of Pakistan Pension Fund is:

**Muslim Commercial Financial Services (Pvt.) Limited**

a wholly-owned subsidiary of MCB Bank Limited

3<sup>rd</sup> Floor Adamjee House,

I. I. Chundrigar Road,

Karachi.

- 5.6.1 The Trustee will comply with the provisions of the Deed and the Rules, for any act or matter to be done by it in the performance of its duties and such acts or matters may also be performed on behalf of the Trustee by any officer or responsible official of the Trustee or by any nominee or agent appointed by the Trustee in consultation with the Pension Fund Manager, provided that the Trustee will be responsible for the acts and omissions of all persons to whom it may delegate any of its duties, as if these were its own acts and omissions and will account to the Trust for any loss in value of the Trust Property where such loss has been caused by negligence or any reckless act and/or omission of the Trustee or any of its directors, officers, nominees or agents.
- 5.6.2 The Trustee will exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Participants. The Trustee will not be under any liability on account of anything done or not done by the Trustee in good faith, in accordance with, or in pursuance of, any request of the Pension Fund Manager, provided it is not in conflict with the provisions of the Deed or the Rules. Whenever, pursuant to any provision of the Deed any certificate, notice, direction, instruction or other communication is to be given by the Pension Fund Manager to the Trustee, the Trustee may accept as sufficient evidence thereof a document signed, or purporting to be signed on behalf of the Pension Fund Manager, by any person whose signature the Trustee is for the time being, authorized, in writing, by the Pension Fund Manager to accept.
- 5.6.3 The Trustee will take into its custody or under its control all the Trust Property, including properties of the Sub-Funds and hold the same in trust for the Participants in accordance with the law, the Rules and the provisions of the Deed and the cash and registerable assets will be registered in the name of, or to the order of, the Trustee.
- 5.6.4 The Trustee will 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.
- 5.6.5 The Trustee will 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.
- 5.6.6 The Trustee will ensure that the issue, redemption and cancellation of Units are carried out in accordance with the provisions of the Trust Deed and the Rules.

- 5.6.7 The Trustee will ensure that the methods adopted by the Pension Fund Manager in calculating the values of the Units of each Sub-Fund are adequate and that the Net Asset Value is calculated in accordance with the provisions of the Trust Deed or as specified by the Commission.
- 5.6.8 The Trustee will carry out the instructions of the Pension Fund Manager in respect of investments unless they are in conflict with the investment policy prescribed by the Commission, from time to time, and the Offering Document /Trust Deed.
- 5.6.9 The Trustee will ensure that the investment policy prescribed by the Commission, from time to time, and the borrowing limitations set out in the Trust Deed, the Rules and other conditions under which the Pakistan Pension Fund was authorized, are complied with.
- 5.6.10 The Trustee will issue a report to be included in the Annual Report to be sent to the Participants whether, in the Trustee's opinion, the Pension Fund Manager has, in all material respects, managed the Pension Fund and the Sub-Funds in accordance with the provisions of the Trust Deed 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.
- 5.6.11 The Trustee will ensure that Units are not allocated until contributions have been received.
- 5.6.12 The Trustee will, from time to time appoint, remove or replace one or more Custodian(s) as agent(s) for performing the Custodian Function at one or more locations, on terms and conditions to be agreed between the Custodian(s) and the Trustee;
- 5.6.13 The Trustee will make available, or ensure that there is made available to the Pension Fund Manager, such information as the Pension Fund Manager may reasonably require, from time to time, in respect of the Trust Property and all other matters relating to the Trust.
- 5.6.14 The Trustee will be entitled to require the Auditors to provide such reports as may be agreed between the Trustee and the Pension Fund Manager as may be considered necessary to facilitate the Trustee in issuing the certification required under the Rules. The Trustee will endeavour to provide the certification at the earliest date reasonably possible.
- 5.6.15 Neither the Trustee nor the Custodian (if the Trustee has appointed another person as Custodian) nor the Pension Fund Manager nor any of their Connected Persons will sell or purchase or deal in the sale of any Investment or enter into any other transaction with the Trust save in the capacity of an intermediary.
- 5.6.16 The Trustee will promptly provide Proxies or other forms of Power of Attorney to the order of the Pension Fund Manager with regard to any voting rights attaching to any investments.

- 5.6.17 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 the public, by an order in writing, give such directions to the Trustee which are essential to enforce the Rules including, but not limited to, making arrangements for safe custody of assets of the Pension Fund, submission of reports and disclosure of information.
- 5.6.18 The Trustee will, if requested by the Pension Fund Manager, and may, if it considers it necessary for the protection of the Trust Property or safeguarding the interests of the Participants, institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Trust Property or any part thereof, with full powers to sign, swear, verify and submit pleading and affidavits, to file documents, to give evidence, to appoint and remove counsel and to do all incidental acts, things and deeds through the Trustee's authorized directors and officers. All costs, charges and expenses (including reasonable legal fees) incurred in instituting or defending any such action shall be borne by the Trust and the Trustee shall be indemnified against all such costs, charges and expenses, provided that no such indemnity shall be available in respect of any action taken against the Trustee for negligence or breach of fiduciary duties in connection with its duties as the Trustee under the Deed or the Rules.
- 5.6.19 The Trustee will obtain and maintain replication of all the records of the Participants maintained by the Pension Fund Manager or the Registrar, as the case may be, and shall keep the records updated on fortnightly basis.

## **5.7 RETIREMENT OR CHANGE OF TRUSTEE**

- 5.7.1 The Trustee shall not be entitled to retire voluntarily, or otherwise, except upon the appointment of a new trustee. In the event of the Trustee desiring to retire, the Pension Fund Manager, with the prior written approval of the Commission, within a period of three months, may, by a deed supplemental to the Deeds under the seals of the Pension Fund Manager and the Trustee, appoint a new trustee under the provisions of the Rules, in place of the retiring Trustee, and also provide, in such deed, for the automatic vesting of all the assets of the Trust in the name of the new trustee. The retirement of the Trustee shall take effect at the same time as the new trustee is appointed and the supplemental trust deed, reflecting this appointment, is executed. The Trustee shall ensure that accounts of the Pakistan Pension Fund, till the day of the appointment of the new Trustee, are audited by the Auditors of the Fund and the audit report is submitted, within one month from the date of such appointment, to the Commission, the newly appointed Trustee and the Pension Fund Manager. The Trustee, with the approval of the Commission, shall decide the cost of such interim audit and the same may be charged to the Trust, with the prior approval of the Commission.
- 5.7.2 If the Trustee goes into liquidation (otherwise than for the purpose of amalgamation or reconstruction on terms previously agreed to with the Pension Fund Manager ) or ceases to carry on business of trusteeship or a receiver of its undertaking is appointed or it becomes ineligible to act as a Trustee of the Trust under the provisions of the Rules, the Pension Fund Manager shall, forthwith, by instrument in writing, remove the Trustee from its appointment under the Deed and shall, by the same or some other instrument in

writing simultaneously, appoint some other company or corporation according to the provisions of the Rules and the Deed as the new trustee.

- 5.7.3 The Commission, after giving thirty days' notice, may remove the Trustee, by order in writing, on grounds of any material default or non-compliance with the provisions of the Rules or the Deed, negligence of its duties or incompetence in performing its duties or if the Commission is of the opinion that the Trustee has, otherwise, neglected or failed to comply with any order or direction of the Commission and considers that it would be in the interest of the Participants so to do; provided that such notice shall not per se be regarded as an admission of contravention on the part of the Trustee who shall have the right to defend itself against such notice or action
- 5.7.4 The Pension Fund Manager may also remove the Trustee, with the prior approval of the Commission, after giving thirty days' notice, if the Pension Fund Manager feels that the Trustee is charging a remuneration that is not comparable to the market norm and it would be in the interest of the Participants to appoint another trustee. For this purpose, if the Pension Fund Manager, based on a firm quotation or offer received from an alternate institution (qualified to be appointed as trustee of a pension fund), determines that the remuneration being paid to the Trustee is not comparable to the market norm and that, for this reason, it would be in the interest of the Participants to appoint another trustee on such favourable terms, it will issue a thirty days notice of removal of the Trustee on this ground. However, after receiving such notice from the Pension Fund Manager, the Trustee shall have the option to continue as Trustee of the Fund on such favourable terms offered by the alternate institution or to retire as Trustee of the Fund and notify the Pension Fund Manager accordingly. The change of Trustee will become effective with the Commission's approval, once the newly appointed trustee takes charge of all duties and responsibilities provided that such notice shall not per se be regarded as an admission of contravention on the part of the Trustee who shall have the right to defend itself against such notice or action.
- 5.7.5 Upon the appointment of a new trustee, the Trustee shall immediately deliver all the documents and records to the new trustee and shall transfer all the Trust Property and any amount deposited in any Account to the new trustee and make payments to the new trustee of all sums due from the Trustee.
- 5.7.6 The new trustee shall exercise all the powers and enjoy all rights and shall be subject to all duties and obligations of the Trustee under the Deed , as fully as though such new trustee had, originally, been a party to the Deed.
- 5.7.7 Notwithstanding the removal or resignation of the Trustee and its subsequent discharge from its duties under the Deed and the Rules, the Trustee shall remain entitled to the benefits under the terms of the Deed till the removal or resignation of the Trustee is effective, without prejudice to the Trustee's responsibility or obligation to liquidate any liability for which the Trustee may have become liable under the Deed and/ or the Rules.

## **5.8 REGISTRAR OF THE UNITS OF PAKISTAN PENSION FUND**

### **Gangjees Registrar Services (Pvt.) Limited**

516, Clifton Centre,  
Clifton  
Karachi

## **5.9 DISTRIBUTION COMPANIES**

5.9.1 The main Distribution Company of the Pakistan Pension Fund will be Arif Habib Investment Management Limited (AHIM) and its branches. Address of current branches are provided hereto as Annexure “B”.

5.9.2 AHIM may appoint or suspend other Distribution Companies for the Pakistan Pension Fund under intimation to the Trustee.

## **5.10 AUDITORS**

The first Auditors of the Pakistan Pension Fund will be:

### **A. F. Ferguson & Co. (PricewaterhouseCoopers - PwC)**

State Life Building No.1, I.I. Chundrigar Road,  
Karachi, Pakistan.

5.10.1 Thereafter, the Pension Fund Manager will, in consultation with the Trustee, appoint as auditors, a firm of Chartered Accountants who shall be independent of the auditors of the Pension Fund Manager and the Trustee. The Pension Fund Manager, may at any time, with the concurrence of the Trustee, and, if approved by the Commission, remove the Auditors and appoint other Auditors in their place. Furthermore, the Pension Fund Manager shall ensure that the Auditors so appointed, including the first Auditors, are appointed from the panel of Auditors as prescribed by the Commission for this purpose.

5.10.2 The Auditors will hold office until transmission of the Annual Report and Accounts but may be re-appointed for up to two consecutive terms of one year each. Thereafter, the Auditors shall only be eligible for appointment after the lapse of at least one year. The following persons shall not qualify to be the Auditors of the Trust:

- (a) A person who is, or at any time during the preceding three years was, a director, officer or employee of the Pension Fund Manager or the Trustee;
- (b) A person who is a partner of, or in the employment of, a Director, Officer, Employee, or Connected Person of the Pension Fund Manager or the Trustee;
- (c) The spouse(s), brothers, sisters or lineal ascendants or descendants of a director, officer or an employee of the Pension Fund Manager or the Trustee;
- (d) A person who is indebted to the Pension Fund Manager or the Trustee; and
- (e) A body corporate.

5.10.3 Appointment of a partnership firm to be the Auditors will be deemed to be the appointment of all persons who are partners in the firm, for the time being.

- 5.10.4 The Auditors will have access to the records, books, papers, accounts and vouchers of the Trust, whether kept at the office of the Pension Fund Manager, Trustee, Custodian, Registrar or elsewhere, and shall be entitled to require from the Pension Fund Manager, the Trustee and their directors, officers and agents such information and explanations as considered necessary for the performance of audit.
- 5.10.5 The Auditors will prepare an Auditor's Report as required under the Rules, applicable laws and Regulations, to be transmitted to the Commission and the Participants.
- 5.10.6 The contents of the Auditors' Report shall be as required in the Rules.
- 5.10.7 In case the Rules or any other laws relating to appointment of Auditors of the Pension Funds are amended or substituted, the amended Rules or other laws, as the case may be, will be deemed to become part of the Deed without the need to execute a Supplemental Trust Deed.

## **5.11 LEGAL ADVISORS**

- 5.11.1 The current legal advisors of Pakistan Pension Fund are:

**Bawaney & Partners**

404, 4th floor,  
Beaumont Plaza,  
6-cl-10, Beaumont Road,  
Karachi.

- 5.11.2 The Pension Fund Manager may, in consultation with the Trustee, replace the legal advisors, or appoint new legal advisors to fill a vacancy created by the resignation of any legal advisors.

## **5.12 BANKERS**

- a) Bank AL Habib Limited.
- b) Arif Habib Rupali Bank Limited.
- c) Deutsche Bank A. G.
- d) Standard Chartered Bank (Pakistan) Limited.
- e) The Bank of Punjab

## **6 CHARACTERISTICS OF THE PAKISTAN PENSION FUND**

### **6.1 ELIGIBILITY TO PARTICIPATE IN THE PAKISTAN PENSION FUND**

All Pakistani nationals who have a valid Computerized National Identity Card or National Tax Number shall be eligible to contribute to the Pakistan Pension Fund authorised under the Rules, directly, as well, as through employers;

Eligibility criteria may be reviewed by the Commission, from time to time.

### **6.2 APPLICATION PROCEDURE**

- a) AHIM has obtained all requisite consents and approvals for the offer of the Pakistan Pension Fund.
- b) Participation in the Pakistan Pension Fund will be offered through Distribution Companies. AHIM will act as the main Distribution Company.
- c) Forms for required action can be obtained from AHIM or any Distributor or Sales Agent of AHIM or can be downloaded from the AHIM website or may be requested from AHIM by courier or through electronic means. Forms are also attached in Annexure "I" hereto.
- d) Forms duly completed in all respects, along with the required attachments can be lodged with any Distributor or directly with AHIM. No other person (including Sales Agents) is authorized to accept the Forms or payments.
- e) Before contributing to the Pakistan Pension Fund, eligible Participants must open an account with the Pension Fund Manager, using the Participant Registration & Account Opening Form (Form AHI-PPF-01) as attached in Annexure "I" hereto.
- f) An application for joining the Pakistan Pension Fund can be made by completing the prescribed Application Form required for the Participant Registration & Account Opening Form (Form AHI-PPF-01) and submitting it with the first payment, in such form as is prescribed by the Pension Fund Manager, in favour of the Trustee at the Authorized Branch of any Distribution Company. The Distribution Company will verify that the applicant is eligible to join the Pakistan Pension Fund and that the signature of any applicant to any document, required to be signed by him in connection with the application for joining the Pakistan Pension Fund, matches with the signature as per CNIC/NICOP.
- g) If, subsequent to receipt of the application by the Distributor, but prior to issue of the Units, the application is found, by the Registrar or the Distributor, to be incomplete or incorrect in any material manner, the Registrar or the Distributor will advise the applicant, in writing, to remove the discrepancy. In the mean time the application will

be held in abeyance for fifteen days and, in the event the discrepancy is not removed in the said fifteen days, the amount will be refunded without any interest or mark-up.

- h) Participants must indicate their Registration Number or the Distinct Account Number in the Contribution Application Form (Form AHI-PPF-03), except in cases where the Participant Registration & Account Opening Form is sent with the first Investment.
- i) The applicant must obtain a copy of the application, signed and stamped by an authorized officer of the Distributor, acknowledging the receipt of the application, copies of other documents prescribed herein and the Demand Draft, Payment Order, Cheque or Deposit Slip as the case may be. Cash can only be deposited in a bank account titled “**Trustee Pakistan Pension Fund**” maintained with designated banks and the Participant must obtain a Deposit Pay-in-Slip for the amount of contribution deposited. Acknowledgement for applications and payment instruments (**Payment in cash or any bearer instrument will not be accepted**) can only be validly issued by the Distributors.
- j) If any employer decides to contribute on behalf of a Participant, the employer must register with AHIM by filing and submitting the required Form for the Registration of Employer (Form AHI-PPF - 02) as attached in Annexure “I” hereto.
- k) AHIM may make arrangements, from time to time, for receiving Participant Registration & Account Opening Forms, Contribution Application Forms and Payments from outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.

### **6.3 CONTRIBUTION PROCEDURE, FREQUENCY AND MINIMUM AMOUNT OF CONTRIBUTION**

- a) Eligible persons or their employers, if any, will be allowed to contribute to the Pakistan Pension Fund in one lump sum or in instalments during any Tax Year.
- b) The minimum amount of contribution to open an account is Rs.1,000 and the minimum amount for adding to an existing account is Rs.1,000 per transaction. However, the minimum contribution to open an account and the amount for adding to an existing account by Participants may be less than Rs.1,000 per transaction in case the contribution is received from the employers of the Participants or an organised group to which the Participants belong. There will be no penalties on delayed payments. AHIM may, from time to time, amend the minimum amount of initial contribution that is required to open an account in the Pakistan Pension Fund.
- c) Eligible persons themselves, as well as their employers, if any, will be allowed to contribute to the Pakistan Pension Fund, subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001).
- d) There is no maximum limit of contribution to the Pakistan Pension Fund. Participants can contribute any amount in one lump sum or in instalments to one or more Pension Fund Managers. However, tax credit will be available to the Participants up to a

maximum allowable amount of contribution within any financial year according to the Income Tax Ordinance, 2001 (XLIX OF 2001).

- e) Participants, or their employers on their behalf, can deposit the contributions to the Pakistan Pension Fund in the account of “**Trustee – Pakistan Pension Fund**” in the following manner:
- 1) Direct bank transfer.
  - 2) Standing instructions from the Participants to their bank for regular transfer of contributions.
  - 3) In the form of “Account Payee Only” Cheques, Payment Orders or Demand Drafts, or
  - 4) Any other electronic form of transfer

The Participant or the employer making contribution on behalf of a Participant, or group of Participants, shall provide full details of the contributions to AHIM at the following address:

**Head of Investor Services Department**  
Arif Habib Investment Management Limited  
2/1, R.Y. 16, Old Queens Road  
Karachi 74000, Pakistan.  
Tel: (92-21) 111-468-378  
Fax: (92-21) 247 0351

This will enable AHIM to track the contribution and to record it timely, in the account of the respective Participant of Pakistan Pension Fund.

- f) Participants must fill out the Contribution Application Form (Form AHI-PPF - 03), indicating their Registration Number or the Distinct Account Number; providing the details of their contribution and attaching the payment instrument, along with the Form, before submitting it at the Authorized Branch or office of the Distribution Companies.
- g) The Pension Fund Manager, directly or through the Registrar, will send an acknowledgement of receipt of the contribution, along with the Account Statement, to the Participant, within one week of the receipt thereof.
- h) AHIM is in the process of reaching an arrangement with the insurance companies so that the Fund may be marketed in conjunction with Group Life Insurance or any other insurance scheme, subject to approval of the Commission. These supplementary schemes would not be compulsory for all the Participants to join and the Trustee would be authorized to deduct the premium only from the contributions of those

Participants who have opted to join such schemes. The Trustee would, directly, deposit the deducted premium with the relevant Insurance Company.

- i) Contribution procedure mentioned above shall be subject to alterations due to amendments to or substitutions of the Rules and/or the Income Tax Ordinance, 2001 and/or the Income Tax Rules. Such alterations, with prior approval of the Commission, shall be announced through Supplementary Offering Documents and shall be deemed to correspondingly, alter the provisions of the Trust Deed without the need to execute a Supplementary Trust Deed.

#### **6.4 OPTIONS AND PROCEDURE IN CASE OF TEMPORARY OR PERMANENT CESSATION OF CONTRIBUTIONS BY THE PARTICIPANTS**

AHIM has allowed the Participants or their employers, if any, to pay the desired contribution into Pakistan Pension Fund in one lump sum or in instalments. However, Participants have tax advantages on the contributions during any Tax Year, subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001), the details of which are given in Clause 14 of this Offering Document.

There will be no penalties on delayed payments or temporary or permanent cessation of contributions, Participants may continue the payments at any time till their retirement.

#### **6.5 DESCRIPTION OF DIFFERENT SUB-FUNDS AND ALLOCATION OF CONTRIBUTION AMONG SUB-FUNDS OF THE PAKISTAN PENSION FUND**

The Pakistan Pension Fund will, initially, consist of three Sub-Funds, to be called:

1. PPF Equity Sub-Fund (the “**Equity Sub-Fund**”),
2. PPF Debt Sub-Fund (the “**Debt Sub-Fund**”)
3. PPF Money Market Sub-Fund (the “**Money Market Sub-Fund**”)

(These sub-funds will, collectively, be called the “**Sub-Funds**”)

- 6.5.1 Pakistan Pension Fund may, with the permission of the Commission, launch other Sub-Funds through a Supplemental Trust Deed or a Supplemental Offering Document to incorporate information for contributions in other classes of assets, including securitised investment in real estate or in assets outside Pakistan.
- 6.5.2 The Pakistan Pension Fund is divided into Units having an initial value of Rs. 100 per Unit. This price is applicable to the Core Units. The amount received on account of Core Capital will be allocated to the respective Sub-Fund. Thereafter, all Units of the Pakistan Pension Fund will be issued and redeemed on the basis of the Net Asset Value notified by AHIM at the close of each Business Day.
- 6.5.3 The Rules require that the Pakistan Pension Fund must offer at least four Asset Allocation Schemes for the Participants to choose from

6.5.4 AHIM is currently offering four different Asset Allocation Schemes to the Participants. Policies and features of the Schemes are as follows:

<b>Allocation Scheme</b>	<b>PPF Equity Sub-Fund</b>	<b>PPF Debt Sub-Fund</b>	<b>PPF Money Market Sub-Fund</b>
Aggressive	80% - 65%	35% - 20%	Nil
Balanced	50% - 35%	55% - 40%	25% - 10%
Conservative	25% - 10%	75% - 60%	30% - 15%
Very Conservative	Nil	60% - 40%	60% - 40%

- **Aggressive Allocation Scheme (ASS)**

ASS will allocate a major portion of the contribution to PPF Equity Sub-Fund; the remaining portion will go to the PPF Debt Sub-Fund and there will be NIL allocation to PPF Money Market Sub-Fund.

- **Balanced Allocation Scheme (BAS)**

BAS will allocate a significant portion of the contribution to PPF Equity Sub-Fund and the remaining portion of the contribution will be allocated to the PPF Money Market Sub-Fund and PPF Debt Sub-Fund

- **Conservative Allocation Scheme (CAS)**

CAS will allocate a major portion of the contribution to PPF Debt Sub-Fund and the remaining portion will be allocated between Equity Sub-Fund and PPF Money Market Sub-Fund.

- **Very Conservative Allocation Scheme (VCAS)**

VCAS will NOT allocate any portion of the contribution to PPF Equity Sub-Fund. The entire contribution will be allocated between PPF Debt Sub-Fund and PPF Money Market Sub-Fund.

Pakistan Pension Fund may provide additional allocation scheme or products ( e.g Life Cycle Product), subject to approval of the Commission. Up to two additional scheme may be approved in the first 5 years.

#### 6.5.5 **Allocation between Equity, Debt and Money-Market Sub-Funds**

AHIM manages the equity allocation within the prescribed limits of the Plan using various investment management tools. Increase or decrease of allocation to Debt (normally higher-yielding than Money market investments) in preference to Money-Market (normally lower risk and lower return investments) will be based on the then prevailing interest rates and inflations rates.

The Rules provide that, in case a Participant fails to make a choice of the Allocation Schemes at the time of registration, the Pakistan Pension Fund Manager shall allocate the

contribution from such Participant as per Default Allocation Scheme (i.e. Conservative or Very Conservative Allocation Scheme).

- 6.5.6 The Pension Fund Manager will make reallocation of the Sub-Fund Units between the Sub-Funds at least once a year to ensure that the allocations of Sub-Fund Units of all the Participants are according to the selected allocation scheme of the Participants.
- 6.5.7 All Participants of the Pakistan Pension Fund will, in turn, be holders of Units of the Sub-Funds in various proportions or, in certain conditions, of cash held in an appropriate bank account in the name of the Trustee.
- 6.5.8 Each Participant will only be liable to pay the Net Asset Value of the Units of the Sub-Fund subscribed by him and no further liability will be imposed on him in respect of the Units of any Sub-Fund held by him. Units in Sub-Funds will only be issued against receipt of full payment. No further liability will be imposed on the Participant save transfer fees or taxes applicable to transmission, if any.

## **6.6 DETAILS OF THE INDIVIDUAL PENSION ACCOUNT**

- 6.6.1 AHIM will assign a distinct account number to the individual Pension Account held in the name of each Participant. This number will be the CNIC/NICOP Number of the Participant followed by “- 01” showing the Registration Number of AHIM to act as Pension Fund Manager and the authorization number of Pakistan Pension Fund issued by the Securities and Exchange Commission of Pakistan. The Participants shall quote this number in all the communications as well as while making contributions.
- 6.6.2 The Pension Fund Manager will also assign a unique serial number generated by the system to each individual Pension Account. This will be called the Registration Number. The Participants may also quote this number in all the communications and while making contributions
- 6.6.3 The contribution, received from or on behalf of any Participant by the Distribution Companies or the Trustee, on any working day, shall be immediately credited to the Individual Pension Account of the Participant, after deducting the Front-end Fee, and the amount in the Individual Pension Account shall be used to purchase the units of the respective Sub-Funds of the Pakistan Pension Fund at the Net Asset Value notified by the Pension Fund Manager at the close of that working day

## **6.7 ALLOCATION POLICY**

- 6.7.1 At the date of opening of an individual Pension account with AHIM, every participant will decide about his preference of the Allocation Scheme The participant will select **any one Allocation Scheme** for contributions between the Sub-Funds and will indicate his selection of the Allocation Scheme on the Participant Registration & Account Opening Form (Form AHI-PPF - 01).
- 6.7.2 In case the Participant fails to select any of the Allocation Schemes offered by Pakistan Pension Fund, the Pension Fund Manager shall allocate the contributions received from such Participant as per the Default Allocation Scheme (i.e. Conservative or Very Conservative Allocation Scheme)

- 6.7.3 Participant may change the Allocation Scheme on any anniversary date of their account opening with AHIM. The notice for the change in Allocation Scheme must be sent to AHIM by the Participant at least thirty days before the relevant anniversary date. Participants may obtain the required Form for the change in Investment Allocation (Form AHI-PPF-09) from the Distributor Company or download it from the web site of AHIM and submit the same at the office of the Distributor Company at least thirty days before the anniversary date of their registration as Participant with AHIM.
- 6.7.4 The contribution received from or on behalf of any Participant by the Distribution Companies or the Trustee on any working day will be immediately credited to the Individual Pension Account of the Participant after deducting the Front-end Fee.
- 6.7.5 The amount in the Individual Pension Account will be used to purchase the units as per the latest Allocation Scheme selected by the Participant in units of the Sub-Funds of the Pakistan Pension Fund at the Net Asset Value notified by AHIM at the close of the business day when the contribution was received.
- 6.7.6 An individual Pension Account will not be subject to any lien, pledge or encumbrance, attachment in the execution of a decree, nor will it be chargeable or assignable; and any agreement to charge or assign an allowance will be void, and on the bankruptcy of a Participant, no sum will pass to any trustee or person acting on behalf of his creditors.
- 6.7.7** Each participant will also provide an undertaking at the time of account opening with AHIM on the Form required for the Participant Registration & Account Opening Form (Form AHI-PPF-01), that **he has no objection to the Investment /Allocation Policy determined by the Commission and he is fully aware of the risks associated with his selection of Allocation Scheme.**

## **6.8 FREQUENCY OF VALUATIONS AND DEALINGS**

- 6.8.1 The revaluation of the Sub-Fund Units will be carried out on each Business Day.
- 6.8.2 The valuation will be conducted as at the close of the Business Day in Pakistan.
- 6.8.3 Contributions from Participants and requests for withdrawals and transfers to other Pension Fund Managers will be received on all Business Days.

### **Calculation of the Net Asset Value:**

The Net Asset Value of each Sub-Fund means the excess of assets over liabilities of the Sub-Fund, divided by the number of Units outstanding of the respective Sub-Fund, such excess being computed in the manner as specified in the Rules, from time to time. Such sum shall be rounded off to the nearest two decimal places

## **6.9 MODE OF ANNOUNCEMENT OF NET ASSETS AND UNIT PRICES**

- 6.9.1 The Net Asset Value determined by the Pension Fund Manager shall be made available to the public at Authorized Branches of the Distribution Companies and shall be arranged to be published in a leading newspaper and be made available on its website.
- 6.9.2 The Unit Price applicable to Contribution(s) and Withdrawal Amount(s) shall be equal to the Net Asset Value of each Sub-Fund as of the close of the Business Day on which the Contribution has been received from the Participant or request for Withdrawal Amount

has been made to the Distributor. Such sum may be adjusted upwards to the nearest Paisa.

**Frequency of Dealing:**

The Dealing Days shall be all Business Days from Mondays to Fridays every week, or as notified otherwise by the Pension Fund Manager, from time to time. The Business Hours shall be from 9.00 am to 5.00 pm on any Dealing Day or as notified otherwise by the Pension Fund Manager, from time to time and made available on the website of the Pension Fund Manager.

## **6.10 WITHDRAWALS AND TRANSFERS**

- 6.10.1 The Trustee will, at any time during the life of the Trust, authorize withdrawal from the Individual Pension Account through redemption of Units of Sub-Funds through its duly authorized Distribution Companies of the Fund.
- 6.10.2 Applications for withdrawals will be made by completing the prescribed withdrawal Request Form (Form AHI-PPF-07) and submitting it at the Authorized Branch or office of the Distribution Companies.
- 6.10.3 On receiving a withdrawal application, complete in all respects, the Pension Fund Manager will redeem the required Units of the Sub-Funds equal to the requested withdrawal amount at the Net Asset Value prevailing on the close of the Business Day on which the request was received.
- 6.10.4 AHIM will automatically redeem all the Units from the Sub-Funds of the respective Participant on the close of the business day at which the date of Retirement falls or death of a Participant has been confirmed. Proceeds of Units redeemed will be credited to the respective individual Pension Account. The Participants or their successor(s) will be entitled to withdraw amounts from the Fund under the provisions of the Deed.
- 6.10.5 All the Participants of Pakistan Pension Fund will be entitled to transfer their individual Pension Accounts from the Pakistan Pension Fund to another Pension Fund managed by another Pension Fund Manager.
- 6.10.6 Applications for transfers of the Individual Pension Accounts will be made by completing the prescribed form required for the Change of Pension Fund Manager Form (Form AHI-PPF-04) and submitting them at the Authorized Branch or office of the Distribution Companies at least 30 days before an anniversary date of opening of the Individual Pension Accounts.
- 6.10.7 On receiving a transfer application mentioned in Clause 6.10.6 above, complete in all respects, AHIM will redeem all Units of the Sub-Funds in the Individual Pension Account of the respective Participant at the close of the first Business Day that falls on or after the anniversary of the opening of the Individual Pension Account and transfer the requisite encashed/redeemed amount to the requested pension fund manager in the manner indicated in clause 6.11.2 hereafter.
- 6.10.8 The Pension Fund Manager will announce the Net Asset Value of each Sub-Fund on a daily basis, which shall be used for purchasing (issuance) and redeeming (encashment) of Units of the respective Sub Fund..

- 6.10.9 The Distribution Companies, Registrar and Trustee will verify the particulars given in the applications for withdrawals and transfers.
- 6.10.10 The Pension Fund Manager will make arrangements, from time to time, for receiving Withdrawal Forms from outside Pakistan and payment of withdrawal amounts outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.

## **6.11 PAYMENT OF PROCEEDS ON WITHDRAWALS AND TRANSFERS**

- 6.11.1 The amount payable on withdrawal will be paid to the Participant by transferring the same to the Participant's designated banker or crossed Cheque, Payment Order and Demand Draft, within six Business Days from the date of submission of the duly completed prescribed Redemption Request Form (Form AHI-PPF 07) at the Authorized Branch or office of the Distribution Company. At the request of the Participant, the Pension Fund Manager may decide to pay proceeds through some other mode of payment.
- 6.11.2 The amount payable on transfer will be paid on behalf of the Participant to the requested Pension Fund Manager or life insurance company within six Business Days from the anniversary of the opening of the Individual Pension Account. In the event transfers request on any day exceed 10% of the Net Assets of Pakistan Pension Fund, AHIM may take extra time for the transfer of the requested amount.
- 6.11.3 The receipt of the Participant or banking documents showing transfer to the Participant, insurance company or another Pension Fund Manager, as the case may be, or proof of issue of a cheque or money order and mail to the Participants address for any moneys payable in respect of the Individual Pension Account will be a good discharge to the Trustee.

### **Withholding Tax:**

The Trustee, on the advice of the Pension Fund Manager, shall withhold the tax on payments to the Participants, nominees or successors, as the case may be, applicable according to the Income Tax Ordinance, 2001 (XLIX of 2001), including any amendments and/or substitutions thereof, and deposit the same in the Government Treasury.

## **6.12 SUSPENSION OF DEALING**

AHIM may, at any time, subject to the Rules, suspend dealing in the Pakistan Pension Fund or issue of all or any type of fresh Units. Such suspension may, however, not affect existing subscribers. AHIM will also announce the details of exemptions at the time a suspension of dealing is announced. AHIM will immediately notify the Commission if dealing is suspended and will also have the fact published, immediately following such decision, in the newspaper in which the Pakistan Pension Fund's Unit prices are normally published.

### **6.13 REFUSAL TO ACCEPT CONTRIBUTION**

AHIM or the Distribution Companies may, at any time, refuse to accept a Contribution in any of the following cases:

- a) In case the Contribution is contrary to the Know-Your-Customer (KYC) Rules or policy of the Pension Fund Manager or any other Money Laundering Rules that the Pakistan Pension Fund may be subject to or that the Pension Fund Manager may frame for self-regulation.
- b) In case the Contribution is from a Participant who does not have a valid National Tax Number.
- c) In case the Contribution is from a Participant who does not have a valid CNIC/NICOP Number.
- d) In case the Contribution is contrary to the rules of the foreign jurisdiction that the Pakistan Pension Fund or the Participant may be subject to or if accepting the Contribution may subject the Pakistan Pension Fund or the Pension Fund Manager to additional regulations under the foreign jurisdiction.
- e) If accepting the Contribution would, in any case, be contrary to the interests of the Pension Fund Manager or the Pakistan Pension Fund or the Participants.

### **6.14 CIRCUMSTANCES OF SUSPENSION OF WITHDRAWALS OR TRANSFERS**

The withdrawals or transfers from Pakistan Pension Fund may be suspended or deferred during extraordinary circumstances including war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, closure of one or more Stock Exchange on which any of the Securities invested in by the Pakistan Pension Fund are listed, closure of the banking system or strikes or other events that render the Pension Fund Manager or the Distributors unable to function, or the existence of a state of affairs which, in the opinion of the Pension Fund Manager, constitutes an emergency, as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interests of the Pakistan Pension Fund or of the Participants, or a break down in the means of communication normally employed in determining the price of any Investment, or when remittance of money can not be carried out in reasonable time and if the Pension Fund Manager is of the view that it would be detrimental to the remaining Participants to redeem Units at a price determined in accordance with the Net Asset Value. Such a measure will be taken to protect the interests of the Participants in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System.

- 6.14.1 Such suspension or Queue System will end on the day following the first Business Day on which the conditions giving rise to the suspension or Queue System will, in the opinion of the Pension Fund Manager, have ceased to exist and no other condition, under which suspension or Queue System is authorized under the Deed, exists. In case of suspension and invoking of a Queue System and end of suspension and Queue System,

the Pension Fund Manager will immediately notify the Commission and publish the same in at least one daily news paper circulating in Karachi, Lahore and Islamabad.

## **6.15 QUEUE SYSTEM**

In the event redemption requests on any day exceed 10% of the Units in issue of a Sub-Fund the Pension Fund Manager may invoke a Queue System, whereby requests for withdrawals or transfers will be processed on a ‘first- come- first served’ basis for up to 10% of the Units of the Sub-Fund in issue. The Pension Fund Manager will proceed to sell adequate assets of the Sub-Fund and/ or arrange borrowing, as it deems fit, in the best interests of the Participants, and will determine the Net Assets Value to be applied to the withdrawal or transfer requests based on such action. Where it is not practical to determine the chronological ranking of any requests in comparison to others received on the same business day, such requests will be processed on a proportional basis, proportionate to the size of the requests. The requests in excess of the 10% will be treated as requests qualifying for being processed on the next business day at the price to be determined for such requests. However, if the carried over requests and the fresh requests received on the next business day still exceed 10% of the Units in issue, these will, once again, be treated on a ‘first-come-first-served’ basis and the process for generating liquidity and determining the redemption price will be repeated and such procedure will continue till such time the outstanding redemption requests come down to a level below 10% of the Units then in issue.

## **6.16 WINDING UP IN VIEW OF MAJOR REDEMPTIONS**

If AHIM is of the view that the quantum of withdrawal or transfer requests that have built up will result in the Pakistan Pension Fund being run down to an unmanageable level or it is of the view that the sell-off of assets is likely to result in a significant loss in value for the Participants who are not redeeming, in such an event, the queue system, if already invoked, will cease to apply and the Pension Fund Manager may apply to the Commission for the transfer of the records, accounts and books along with the management of the Pakistan Pension Fund to another Pension Fund Manager.

## **6.17 FEATURES OF GROUP INSURANCE IN THE PAKISTAN PENSION FUND**

6.17.1 In future, the Pakistan Pension Fund may be marketed in conjunction with Group Life Insurance or any other insurance scheme and the Trustee is authorized to deduct any insurance premium from the contributions and deposit it, with the relevant insurance company if the contribution includes any amount of insurance premium. However, it should be clearly understood that it is not mandatory for the Participants to opt for the insurance scheme.

6.17.2 In the event the Subscriber opts for an insurance cover with one of the insurance companies, the Subscriber will send the amount of the applicable premium alongwith his

contribution. The Trustee will pass on the premium to the insurance company concerned as a free service to the Subscriber.

## **6.18 BENEFITS ON DEATH BEFORE RETIREMENT**

- 6.18.1 In case of death of a Participant before the retirement age, all the Units of the Sub-Funds to his credit will be redeemed at the Net Asset Value notified at close of the day of confirmation of death and the amount due will be credited to the individual Pension Account of the deceased Participant, which will be invested in Authorized Investments and earn the applicable market rate of interest for such Investments.
- 6.18.2 The total amount in the Pension Account of the deceased Participant will be divided among the nominated survivor(s) according to the percentages specified in the Nomination Deed Form (Form AHI-PPF-05) and each of the nominated survivors will then have the following options, namely to:
- (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.
- 6.18.3 Death benefits paid under the Group Life cover, if any, would be constituted as additional benefit payable to the nominated survivor(s) of the deceased.
- 6.18.4 The nominee(s), in case of nomination(s) and the executors or administrators or succession Participants of deceased Participants will be the only persons recognized by the Trustee and the Pension Fund Manager as having title to the Units of the Sub-Funds represented thereby.
- 6.18.5 Any person becoming entitled to an account in consequence of the death of any Participant, may, subject as hereinafter provided, upon producing such evidence as to his title as the Trustee will think sufficient, either be registered himself as Participant upon giving the Trustee/Registrar such notice in writing of his desire, or withdraw funds from the account under Clause 4.11.2 of the Deed. All the limitations, restrictions and provisions of the Deed relating to transfer will be applicable to any such notice or transfer as if the death had not occurred and such notice or transfer was a transfer executed by the Participant, provided, however, that the Registrar or the Trustee may, at their discretion, request the nominated survivors to provide succession certificates or other such mandate from a court or lawful authority, if they consider necessary, and they will not be liable or be involved in any manner whatsoever in any disputes among the nominated survivors and/or the rest of the legal heirs or the legal representatives of the deceased Participants.
- 6.18.6 The Trustee will retain any moneys payable in respect of any Units of any Sub-Fund or Pension Account or Periodic Payment Account of which any person is, under the provisions as to the transmission of Units hereinbefore contained, entitled to be registered as the Participant or which any person under those provisions is entitled to transfer, until

such person will be registered as the Holder of such Units or will duly transfer the same.

## **6.19 WITHDRAWAL OF FUNDS BEFORE RETIREMENT**

- 6.19.1 A Participant, at any time, before retirement, is entitled to withdraw the total or part of the amount to his credit in the Individual Pension Account. The tax shall be deducted on all such withdrawals, 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.
- 6.19.2 Applications for withdrawal of any desired amounts by the Participants will be made by completing the prescribed Withdrawal Request Form (Form AHI-PPF-07) and submitting it at the Authorized Branch or office of the Distribution Companies.
- 6.19.3 On receiving a Withdrawal Request Form, complete in all respects, AHIM will redeem the required number of Units from the holding of the respective Participant in the Sub-Funds at the Net Asset Value prevailing on close of the Business Day on which the request was received.
- 6.19.4 Withholding tax and tax penalty if any, applicable on all such withdrawals will be deducted by the Pension Fund Manager if so required and the same will be deposited in the Government Treasury.
- 6.19.5 Units of Sub-Funds will be redeemed only in a fashion that preserves the Allocation Scheme selected by the Participant.
- 6.19.6 The provisions of sub-clauses 6.20.1 to 6.20.3 may change due to amendments in or substitutions of the Rules and/or the Income Tax Ordinance, 2000 (XLIX of 2001)

## **6.20 BENEFITS ON DISABILITY BEFORE RETIREMENT**

- 6.20.1 A Participant may suffer from any of the following disabilities, which may render him unable to continue any employment, 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.
- 6.20.2 The participant may, if he so elects, be treated as having reached the Retirement Age at the date of such disability and all relevant provisions will apply accordingly. The Participant will then have the following options, namely:

- (a) to withdraw up to twenty five per cent of the amount in his Pension Account, as cash.
- (b) to use the remaining amount to purchase an Annuity from a Life Insurance Company of his choice; or
- (c) enter into an agreement with the Pension Fund Manager to transfer his balance to an Approved Income Payment Plan offered by the Pension Fund Manager or another pension fund manager and withdraw from it, monthly instalments till the age of seventy five years or earlier.

- 6.20.3 An assessment certificate from the medical board approved by the Commission and appointed by the Pension Fund Manager or any such procedure that the Commission has approved would be required to confirm any of the disabilities specified above.
- 6.20.4 The Participant, electing to be treated as having reached the Retirement Age at the date of disability will apply for withdrawal of the amount available in his Individual Pension Account by completing the prescribed Disability Claim Form (Form AHI-PPF-08) and submitting it at the Authorized Branch or office of the Distribution Companies.
- 6.20.5 On receiving a Disability Claim Form (Form AHI-PPF-08), complete in all respects and Disability Confirmation Certificate from the Medical Board, AHIM will redeem the entire Units of the Sub-Funds at the Net Asset Value prevailing on close of the Business Day on which the required formalities were completed. Proceeds from the redemption of units will be transferred to the individual Pension Account of the respective Participant. Participant will have the options given in 6.21.

## **6.21 RETIREMENT AGE**

The Retirement Age for the Participant may be any age between sixty and seventy years. Participant of Pakistan Pension Fund has the choice to choose his age of retirement between sixty and seventy years or such earlier age as determined under clause 6.22

The Participants are required to inform the Pension Fund Manager by completing the prescribed Retirement Option Form (Form AHI-PPF-06) and submitting it at the Authorized Branch or office of the Distribution Companies at least thirty days before the chosen date of Retirement.

On receiving a Retirement Option Form (Form AHI-PP-06) complete in all respects, AHIM will redeem the entire Units of Sub-Funds at the Net Asset Value prevailing on close of the Business Day on the date of retirement of the Participant. Proceeds from the redemption of units will be transferred to the individual Pension Account of the respective Participant. The Participant will have the retirement benefits' options given in 6.22

## **6.22 BENEFITS ON RETIREMENT**

6.22.1 At the date of retirement of the Participant all the Units of the Sub-Funds to his credit will be redeemed at the Net Asset Value notified at close of the day of retirement and the amount due will be credited to a Pension Account in his name, which will be invested in Authorized Investments of this account. The amount under this Account will earn the applicable market rate of interest for such Investments. The Participant will then have the following options, namely:

- (a) To withdraw up to twenty five percent of the amount in his Pension Account, as cash.
- (b) To use the remaining amount to purchase an Annuity from a Life Insurance Company of his choice; or
- (c) Enter into an agreement with the Pension Fund Manager to transfer his balance to an Approved Income Payment Plan offered by the Pension Fund Manager or another pension fund manager and withdraw from it, monthly instalments till the age of seventy five years or earlier.

## **7 FEES, CHARGES AND EXPENSES**

### **7.1 PENSION FUND MANAGER'S REMUNERATION - ALLOCATION OF FRONT-END FEE**

- 7.1.1 AHIM may charge Front-end Fee up-to a maximum of 3% on contributions to the Pakistan Pension Fund, unless such contributions are exempt from a Front-end Fee.
- 7.1.2 The following contributions are exempt from a Front-end Fee:
- (i) Incoming transfer of the Individual Pension Account from other pension fund managers to the Pension Fund Manager;
  - (ii) Incoming transfer from pension policies, approved by the Commission under section 63 of the Income Tax Ordinance, 2001, and issued by life insurance companies before 30<sup>th</sup> June 2005; or
  - (iii) Such other contributions/transfers as may be declared by the Commission from time to time.
- 7.1.3 AHIM may reduce the Front-end Fee on Incoming transfers of the Provident Fund Balances of the Participants.
- 7.1.4 AHIM, at its sole discretion, may choose to reduce or altogether waive the Front-end Fee for any Participant or employer. Once AHIM makes an exception to reduce or waive the Front-end Fee for a contribution and accepts that contribution without imposing a Front-end Fee, AHIM may not later re-charge that Front-end Fee. However, the decision by AHIM to reduce or waive a Front-end Fee for one Participant or for one contribution of a single Participant does not obligate AHIM to reduce or waive the Front-end Fee for other Participants' contributions or for future contributions of the same Participant.
- 7.1.5. The remuneration of Distribution Companies and Sales Agents shall be paid, exclusively, from any Front-end Fee received by the Trustee and no charges shall be made against the Trust Property. The remainder of any Front-end Fee after such disbursement shall be paid by the Trustee to the Pension Fund Manager as remuneration for their management services for the Trust. If the Front-end Fee received by the Trustee is insufficient to pay the remuneration of the Distribution Companies and Sales Agents, the Pension Fund Manager shall pay to the Trustee the amount necessary to pay, in full, such remuneration.
- 7.1.6 Such payments as mentioned in Clause 7.1.5 above, shall be made to the Distribution Companies and Sales Agents and the Pension Fund Manager by the Trustee or by the Pension Fund Manager to the Trustee, as the case may be, on monthly basis, in arrears, within thirty days of the end of the calendar month.
- 7.1.7 The Front-end Fee on 3% on applicable contributions and the management fee of 1.5% may be subject to change due to any review by the Commission and shall be deemed to become part of the Deed without the need to execute any Supplemental Trust Deed.

## **7.2 PENSION FUND MANAGER'S REMUNERATION – MANAGEMENT FEE**

- 7.2.1 An annual management fee, not exceeding 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the year for determining the prices of the units of the Sub-Funds.
- 7.2.2 The remuneration shall begin to accrue from the date of payment in full on all Sub-Fund Units subscribed by the Seed Investors, including the Pension Fund Manager. In respect of any period other than an Accounting Period such remuneration shall be prorated on the basis of the actual number of days for which such remuneration has accrued (for the total number of days accrued) in the Accounting Period concerned.
- 7.2.3 The remuneration due to AHIM as the Pension Fund Manager shall be calculated and accrued on a daily basis and paid monthly, within 30 days following the end of the calendar month.
- 7.2.4 AHIM will be responsible for the payment of all expenses it incurs from time to time in connection with its responsibilities as Pension Fund Manager. AHIM will not make any charge against the Participants or against the Trust Property for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Rules and the Deed to be paid out of Trust Property. In the event that a Pension Fund Manager erroneously makes an incorrect charge, AHIM will immediately notify the Trustee and the Commission and credit the incorrectly charged amount to the respective Sub-Fund(s), at its own expense.
- 7.2.5 AHIM will bear all expenditures in respect of its secretarial and office space and professional management, including all accounting and administrative services provided in accordance with the provisions of the Trust Deed.

## **7.3 TRUSTEE'S REMUNERATION**

- 7.3.1 The Trustee will be entitled to a monthly remuneration out of the Trust Property based on an annual tariff of charges annexed hereto (Annexure "A"), which will be applied to the average daily Net Assets during such calendar month. The remuneration will begin to accrue from the date of payment in full on all Units of Sub-Funds subscribed to by the Seed Investors, including the Pension Fund Manager. For any period other than a full calendar month, such remuneration will be prorated on the basis of the actual number of days for which such remuneration has accrued (for the total number of days) in the calendar month concerned.
- 7.3.2 Trustee remuneration will be paid to the Trustee, in arrears, within thirty days after the end of each calendar month.
- 7.3.3 In consideration of the foregoing, and save as aforesaid, the Trustee will be responsible for the payment of all expenses incurred by the Trustee from time to time in connection with its duties as Trustee of the Trust. The Trustee will not make any charge against the Participants or against the Trust Property or against the Distribution Account for its services or for its expenses, except such expenses as are expressly authorized to be paid

out of the Trust Property under the provisions of the Rules and the Deed.

7.3.4 The Trustee will bear all expenditures in respect of its secretarial and office space and professional management, including all accounting and administrative services provided in accordance with the provisions of the Deed.

7.3.5 Any change in the remuneration of the Trustee, agreed to by the Pension Fund Manager, will require the approval of the Commission.

#### **7.4 FORMATION COSTS**

Formation Costs, not exceeding half of one percent (0.5%) of the Seed Capital of each Sub-Fund, or PKR 750,000 in total, whichever is lower, shall be charged to the Pakistan Islamic Pension Fund and shall be amortized over a period of three years, in equal instalments, and shall not include any marketing, sales, promotional or educational communication or any form of advertisement cost.

#### **7.5 OTHER FEES AND CHARGES**

7.5.1 Other fees and charges will include:

- a) Brokerage and transaction costs solely related to investments purchases and sales of the Trust Property;
- b) Legal costs incurred in protecting the interests of the Fund or the collective interests of the Participants;
- c) Bank charges /financial costs related to borrowings for withdrawals, redemptions and transfers ;
- d) Audit Fees;
- e) Annual Fee payable to the Commission but not any fines, charges, sanctions or penalties asserted by the Commission against the Pension Fund Manager or any of its related companies. ;
- f) Taxes applicable to the Trust on its income, turnover, assets or otherwise, if any;
- g) Custody charges including Central Depository Company of Pakistan charges;

#### **7.6 FEES, CHARGES, COSTS, ETC. TO BE CHARGED TO THE SUB-FUNDS**

7.6.1 The Pension Fund Manager's Remuneration, i.e., Management Fees and the Trustee's Remuneration shall be charged to the respective Sub-Funds in proportion to the Net Assets of the pertinent Sub-Funds.

7.6.2 Formation Costs shall be divided equally among all the Sub-Funds.

7.6.3 Brokerage and Transaction Costs, Bank Charges and Borrowing/Financial Costs related to borrowings for withdrawals/redemption/transfers, shall be charged to the pertinent Sub-Funds.

7.6.4 Legal Costs, Audit Fees, Annual Fees payable to the Commission shall be divided in proportion to the Net Assets of the pertinent Sub-Funds.

## **8. INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER**

### **8.1 TRUST PROPERTY**

- 8.1.1 The Trust Property, initially, will be constituted out of the proceeds of the Sub-Fund Units issued (the “**Seed Capital**”) to initial investors (the “**Seed Investors**”).
- 8.1.2 The aggregate proceeds of all contributions to the Pakistan Pension Fund, from time to time, will be remitted by the Distribution Companies to the Trustee in accordance with the instructions given by the Pension Fund Manager, from time to time. The net proceeds after deduction of any Front-end Fees and Duties and Charges, will constitute Trust Property vested in the Sub-Funds of the Pakistan Pension Fund.
- 8.1.3 The Trustee will take the Trust Property into its custody or under its control, either directly or through the Custodian, and hold it in trust for the benefit of the Participants in accordance with the provisions of the Rules and the Deed. The Trust Property will always be kept as separate property and will not be applied to any purpose unconnected with the Pakistan Pension Fund. All registerable Investments will be registered in the name of the Trustee and will remain so registered until disposed of, pursuant to the provisions of the Deed. All expenses incurred by the Trustee in effecting such registration will be payable out of the Trust Property.
- 8.1.4 All cash forming part of the Trust Property will be deposited by the Trustee in separate account(s) to be opened in the name of the Trustee, as a nominee of the Trust, with bank(s) or financial institution(s) having at least minimum investment grade rating, approved by the Pension Fund Manager. Such bank(s) or financial institution(s) will be required to allow profit thereon, in accordance with the rules prescribed by such bank(s) or the financial institution(s) for sharing of profits or mark-up on deposits maintained in such account(s) or under any other arrangement approved by the Pension Fund Manager.
- 8.1.5 Save as herein expressly provided, the Trust Property will always be kept as separate property, free from any mortgages, charges, liens, or any other encumbrances, whatsoever, and the Trustee, the Pension Fund Manager or the Custodian will not, except for the purpose of the Pakistan Pension Fund, create, or purport to create, any mortgages, charges, liens or any other encumbrances, whatsoever, to secure any loan, guarantee, or any other obligation, actual or contingent, on the Trust Property.
- 8.1.6 The Trustee will have the sole responsibility for the safekeeping of the Trust Property. In the event of any loss caused through negligence on the part of the Trustee, the Trustee will have an obligation to replace the lost Investment forthwith with similar investment of the same class and issue, together-with all rights and privileges pertaining thereto or compensate the Trust to the extent of such loss.
- 8.1.7 Remuneration of the Pension Fund Manager; Remuneration of the Trustee; Brokerage and Transaction Costs related to investing and disinvesting of the Trust Property; Legal costs incurred in protecting the interests of the Pakistan Pension Fund or the collective interests of the Participants; Bank charges and other costs, including Audit Fees, Formation Costs and Annual Fee payable to the Commission shall be payable out of the Trust Property. Provided that the Formation Costs, including expenditure incurred in connection with the

establishment and authorization of the Pakistan Pension Fund shall be born by the Pension Fund and paid to the Pension Fund Manager within the first three months of complete receipt of Seed Capital and amortized in equal instalments over a period of three years.

## **8.2 INVESTMENT POLICY OF PAKISTAN PENSION FUND**

AHIM will make investment of the Pakistan Pension Fund in a transparent, efficacious, prudent and sound manner.

During and prior to the commencement of the Contribution date, the Trustee shall hold the Trust Property in cash in a separate account for the Pakistan Pension Fund and each Sub-Fund with a Bank having at least minimum investment grade rating by a credit rating agency approved by the Commission, or in short term money market investments, as advised by the Pension Fund Manager. Any income from such investments shall accrue to the Sub-Funds. After the contribution date all cash shall be invested by the Trustee at the direction of AHIM strictly in compliance with the investment policy prescribed by the Commission.

The Objective and Investment Policy of the Sub – Funds will be:

## **8.3 PPF EQUITY SUB-FUNDS INVESTMENT OBJECTIVE AND INVESTMENT POLICY**

The objective of the Equity Sub-Funds is to earn returns from investments in of Pakistani Equity Markets

### **8.3.1 Investment Policy of PPF Equity Sub-Fund**

- (a) The Equity Sub-Fund will have a minimum investment of ninety per cent of its net asset value in listed shares;
- (b) Investments in listed shares of any one company will not exceed five percent of the net asset value of the Sub-Fund. In case of green field companies, investment in any one company will not exceed one percent of the net asset value of the Sub-Fund. However, total investment in green field companies will not exceed five percent of the net asset value of the Sub-Fund;
- (c) Investments in listed shares of any one sector, as per classification of the Stock Exchanges, will not exceed twenty percent of the net asset value of the Sub-Fund;
- (d) Investment in shares or other listed securities of a particular company will not exceed ten percent of the Paid-up Capital of that company;
- (e) Any amount remaining un-invested will be kept in Treasury Bills, securities of less than one year maturity or in bank deposits;
- (f) Investments will be made in shares of listed companies which have a minimum operational record of five years;
- (g) No investment will be made in shares issued by the Pension Fund Manager or any associated company thereof; and
- (h) The Sub-Fund will not enter into any transaction in any security other than a security which is listed on a Stock Exchange or, in the case of green field companies, security for the listing of which an application has been made to a Stock Exchange.
- (i) Investments will not be made in a security if it is publicly known that the issuer of

the security has committed default while availing of any financing facility.

- (j) If the limits prescribed in the Deed or the Rules are exceeded, merely due to price fluctuations in equities and / or the issuance of bonus shares/ right shares, no changes of investment in the Sub-Funds is required to be made.

#### **8.4 PPF DEBT SUB-FUND S INVESTMENT OBJECTIVE AND INVESTMENT POLICY**

The objective of the Debt Sub-Fund is to earn returns from investments in Pakistan Debt Markets, thus incurring lower risk than equity investments. As the investment of Participants nearing retirement age in the Debt Sub-Funds will be high the preservation of capital is also an important objective.

##### **8.4.1 Investment Policy of PPF Debt Sub-Fund**

8.4.2 The Voluntary Pension System Rules have stipulated that Debt Sub-Funds would consist of tradable debt securities and contracts, with weighted average duration of the Sub-Fund not exceeding ten years. However, AHIM has decided that the weighted average duration will not exceeding five years to avoid volatility;

- (a) At least fifty percent of the assets in the Sub-Fund will be invested in securities issued by the Federal Government; and
- (b) Investment in all other securities, including those issued by government corporations, provincial or city governments, or by corporate entities, would be subject to the following conditions, namely:-
  1. Securities carrying credit rating “AA” or higher, up to 5% of the Sub-Fund in any such security (or the aggregate of securities issued by a single Issuer) and the investment will also not exceed 5% of the size of the Issue;
  2. Securities carrying credit rating of “A” or “A-plus”: up to 3.75% of the Sub- Fund in any such security (or aggregate of securities issued by a single Issuer) and the investment will also not exceed 5% of the size of the Issue, and
  3. Securities carrying credit rating of “A-minus” or “BBB” – up to 2.5% of the Sub-Fund in any such security (or the aggregate of securities issued by a single Issuer), provided that the outstanding life of the security does not exceed five years and the investment will also not exceed 2.5% of the size of the Issue.

#### **8.5 PPF MONEY MARKET SUB-FUNDS INVESTMENT OBJECTIVE AND INVESTMENT POLICY**

The objective of the Money Market Sub-Fund is to earn returns from investments in Pakistan Money Markets, thus incurring lower risk than Debt investments. As the investment of Participants nearing retirement age in the Money Market Fund will be high the preservation of capital is an important objective.

### 8.5.1 Investment Policy of PPF Money Market Sub-Fund

Investments by the Money Market Sub-Fund will be made as follows, namely:-

- (a) The Sub-Fund would consist of short term debt instruments ,with average duration not exceeding one year;
- (b) There would be no restriction on the amount of investment in securities issued by the Federal Government, and;
- (c) Investment in all other securities, including those issued by government corporations, provincial or city governments, or by corporate entities, would be allowed up to 20% of the Sub-Fund. These securities will carry a minimum credit rating of “A-minus”; and
- (d) There will be no restriction on the amount of investment in bank deposits. However, investment in bank deposits in any one bank will not exceed 25% of the Sub-Fund.
- (e) There will be no restriction on investments in Money Market instruments, including Certificates of Deposit and Bankers’ acceptances, inter-bank transactions, forward arbitrage, margin finance transactions, commercial paper, repurchase transactions (REPOs) and reverse REPOs excluding continuous funding system (CFS), purchase or sale of a security for ready settlement and the reverse thereof (sale or purchase, as the case may be) for future settlement.

**8.6** AHIM, after successfully managing the Equity, Debt and Money Market Sub-Funds of the Pakistan Pension Fund will be authorized to apply to the Commission for establishment of additional Sub-Funds for investments in other classes of assets, including securitised investments in real estate or in assets outside Pakistan. If the Commission allows the establishment of such Sub-Funds, taking into account the policy of the Federal Government, the Pension Fund Manager may, at its discretion, proceed to establish such additional Sub-Funds on such terms and conditions as may be prescribed by the Commission.

**8.7** Any investment made in a security for any of the Sub-Funds, for which any Connected Person of the Pension Fund Manager is, or has been, involved, during the past twelve months, as an arranger, manager, adviser, consultant or underwriter, will be reported to the Commission within six working days of entering into such transaction. The Pension Fund Manager will also provide full justification for such investment. The Commission may, after giving the Pension Fund Manager an opportunity of being heard, direct it to dispose of such investments and such directive, if any, will be implemented.

### **8.8 RESTRICTIONS**

The Pakistan Pension Fund will not, at any time:

- 8.8.1 Enter into a short sale transaction in any security, whether listed or unlisted;
- 8.8.2 Purchase from or sell any security to any Connected Person;
- 8.8.3 Enter into transactions with any single Broker, who is a Connected Person, that account

for ten per cent or more of the Pakistan Pension Fund's Brokerage commission in any one Accounting Year, except that the Pension Fund Manager has requested the Commission to exempt the Pakistan Pension Fund of this requirement for the first Accounting Year if the first Accounting Year is of less than 10 months;

- 8.8.4 Lend, assume, guarantee, endorse or otherwise become directly, or contingently, liable for, or in connection with, any obligation or indebtedness of any person. However, investment in sale and repurchase transactions involving Government Securities, or such listed securities which are regulated by the Stock Exchanges, will not be attracted by this rule under the risk management parameters given above;
- 8.8.5 Borrow any funds, except for meeting withdrawal requests or transfer of funds to other Pension Fund Managers, and such borrowing will not exceed fifteen percent of the total Net Asset Value of the Pakistan Pension Fund at any time and will be repayable within a period of ninety days;
- 8.8.6 Invest in any security of a company if any director or officer of the Pension Fund Manager owns more than five percent of the total nominal amount of the securities issued or, collectively, the directors and officers of the Pension Fund Manager own more than ten per cent of those securities;
- 8.8.7 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, except where it is necessary to protect its investment.

## **8.9 PARTICIPANTS' RIGHTS IN TERMS OF INVESTMENT CHOICE**

AHIM is responsible for the investment and disinvestment of property of the Pakistan Pension Fund. However, every Participant will decide about his investment in the units of the Sub-Funds by using his preference for the selection of the Allocation Plan. The participant will select *any one of the approved Allocation Schemes* for allocation of his contributions between the Sub-Funds. Thus contribution from the Participants will be allocated between the Sub-Funds as per the particular Allocation Scheme selected by the Participants.

## **9 INVESTMENT RISKS AND TAX IMPLICATIONS**

All investments in Pakistan Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Investors should read this Offering Document carefully to understand the investment policies, risks and tax implications and should consult their legal, financial or tax advisors before making any investment decision. Withdrawals from the Pension Fund before the retirement age are subject to tax.

PPF will be investing in equity securities listed on the Stock Exchanges and also in fixed income securities including deposits with Banks. Such investments are subject to varying degree of risks that include, but are not limited to:

- (a) **Business Risk:** This is the uncertainty of income flows caused by the nature of a firm's business. It includes: (i) Change in business cycles affecting the business of the company in which the investment is made; (ii) Change in business circumstances of the company, its business sector, industry and/or the economy in general; and (iii) Mismanagement of the investee company, third party liability through class action or occurrence of other events such as strikes, fraud etc., in the company in which the investment was made.
- (b) **Equity Risk:** Investment in equity securities are subject to price risk, which is dependant on a multiple of factors, including the profitability/ performance of investee companies, technological development, which may render the processes of investee companies obsolete, Government regulations, economic and political situation within the country, region and internationally. As a result of these factors, the dividend income and the share price of equity securities may go up as well as down.
- (c) **Volatility in Market Price Risk:** Volatility in prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the securities and liquidity in the market. The volatility in securities prices results in volatility in the NAV based price of the Unit.
- (d) **Liquidity Risk:** Some securities listed at the Stock Exchanges are illiquid and difficult to sell. Liquidity Risk is the uncertainty introduced by the secondary market for an investment and assesses: 1) How long it takes to convert the investment into cash. 2) How certain is the price to be received. It is effected by: (i) Volatility in shares prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the shares and the liquidity in the market; and (ii) Increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase of the underlying inflation rate.
- (e) **Credit Risk:** These include default risk, credit spread risk, and down grade risk. These risks are associated with fixed income securities. Default risk will involve possibility of non payment of mark up or principal. Credit spread risk will involve increase in difference of mark up rate of an issuer and Government Securities. Such increase is due to macro economic factors in local as well as global markets. Increase in spread will result in decrease in value of fixed income securities. Down grade risk means lower rating by credit rating agencies and will result in decrease in value of fixed income securities.
- (f) **Financial Leverage Risk:** This is the uncertainty induced by the method by which the firm finances its investments. If a firm borrows money to finance investments, it must pay fixed financing charges (in the form of interest to creditors) prior to providing income to the common stockholders. It includes: (i)

Senior rights of creditors over shareholders of the company in the event of winding up; (ii) The inability of the issuer of the instrument, the relevant financial institution or the counter party in the case of reverse repurchase or other arrangements to fulfill their obligations; and (iii) The possibility of defaults by participants or failure of stock exchanges, the depositories, the settlement or clearing system.

- (g) **Interest Rate Risk:** This arises due to increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase in the underlying inflation rate. An increase in the interest rates will result in decrease in value of fixed income securities, including Government Securities.
- (h) **Country or Political Risk:** This is the uncertainty of returns caused by the possibility of a major change in the political or economic environment of the country such as break down of law and order, war, natural disasters, etc. and any governmental actions, legislative changes or court orders restraining payment of principal or income.
- (i) **Purchasing Power Risk:** This is the risk of loss in the value of capital due to inflation.
- (j) **Inflation Risk:** This is the possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency. Inflation causes money to decrease in value at some rate, and does so whether the money is invested or not. It is the risk associated with the return from an investment not covering the loss in purchasing power caused by inflation.

**Capital invested in the stock market could, in extreme circumstances, lose its entire value. However, studies show that diversification of the investment reduces the risk associated with investing in the stock market.**

**The Units of Sub-Funds are not bank deposits and are neither issued by, insured by, or the obligation of the Commission, any Government agency, any of the shareholders or the Pension Fund Manager or any other bank or financial institution.**

#### **Disclaimer**

- (1) **Investment Risks and Tax Implication: All investments in Pakistan Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Investors should read this Offering Document carefully to understand the investment policies, risks and tax implication and should consult legal, financial or tax advisors before making any investment decision. Withdrawals**

**from the Pension Fund before the retirement age are subject to tax under the provisions of the Income Tax Ordinance, 2001.**

- (2) The Units of the Sub-Fund(s) of the Pakistan Pension Fund are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the Commission, the Stock Exchanges, any Government agency, the Trustee or any of the sponsors, shareholders or employees of the Pension Fund Manager or any of the Core Investors or any other bank or financial institution.**
- (3) The Sub-Fund(s) target return cannot be guaranteed. It should be clearly understood that the portfolio of the Sub-Fund(s) is subject to market fluctuations and risks inherent in all such investments.**
- (4) It should be noted that the value/price of Units of the Sub-Funds can fall as well as rise.
- (5) It should be noted that under certain circumstances the withdrawal from the Pension Fund may be restricted or subject to tax penalties.
- (6) It should be noted that there will be no dividend distribution by the Sub-Fund(s).

## **10. CHANGE OF PENSION FUND MANAGER**

- 10.1 Participants will be entitled to transfer their entire individual pension accounts or part thereof, from the Pakistan Pension Fund to another Pension Fund (s) managed by another Pension Fund Manager at the Anniversary Date of the opening of the accounts in Pakistan Pension Fund. Units will be encashed at the Net Asset Value of each of the pertinent Sub-Funds notified at the close of the Dealing Day corresponding to the date of transfer.
- 10.2 No charge, whatsoever called, will be deducted upon transfer of the Individual Pension Account from the Pakistan Pension Fund to another Pension Fund.
- 10.3 AHIM will use the transferred amount received from the other Pension Fund (s) to purchase the Units of the Sub- Funds at the Net Asset Value notified at the close of the Business Day of the receipt of the amount, at percentages according to the respective prescribed Allocation Scheme selected by the Participant.
- 10.4 The transfer of an Individual Pension Account to another Pension Fund will only take place on the anniversary dates of opening of the individual Pension Account in the Pakistan Pension Fund. The notice for the transfer of the account, specifying the name of the new Pension Fund and its Fund manager must be sent by the Participant at least thirty days before the relevant anniversary date.
- 10.5 If any Participant decides to transfer his entire Individual Pension Account, or part thereof, from the Pakistan Pension Fund to another Pension Fund managed by another Pension Fund Manager, the Participant will make an application by completing the prescribed form required for the Change of Pension Fund Manager Form (Form AHI-PPF-04) and submit it at the Authorized Branch or office of the Distribution Companies at least 30 days before an anniversary date of opening of the Individual Pension Account.
- 10.6 On receiving a transfer application mentioned in clause 10.5 above, complete in all respects, AHIM will proceed as follows:
- 1) Redeem all Units of the Sub-Funds of the respective Participant at the close of first Business Day that falls on or after the anniversary of the opening of the Individual Pension Account
  - 2) AHIM will advise the respective Participant to open a Pension Account with the pension fund manager where the respective Participant intends to transfer his entire Pension Account, or part thereof, from the Pakistan Pension Fund
  - 3) As soon as the Participant completes the formalities for the opening of the individual Pension Account with the other pension fund manager, the Pension Fund Manager shall inform AHIM of the account details of the respective Participant
  - 4) After receiving the confirmation that the other pension fund manager has opened the Pension Account of the respective Participant, AHIM will immediately arrange transfer of the requisite redemption amount to the requested Pension Fund managed by the other pension fund manager
  - 5) AHIM will close the Pension Account of the respective Participant, if the Participant

has transferred his entire account with AHIM.

- 10.7 In the event the Commission de-authorizes the Pension Fund Manager, the transfer will take place without any restriction thereon.
- 10.8 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, would also be eligible to redeem their Units and transfer the balance to an individual pension account with the Pakistan Pension Fund, subject to the Trust Deed and the Rules. This may be subject to change due to any changes in or substitutions of the Income Tax Ordinance, 2001 and will be deemed to become part of the Deed without the need to execute any Supplemental Trust Deed.

## **11. THE CIRCUMSTANCES IN WHICH DEALING IN PAKISTAN PENSION FUND MAY BE DEFERRED OR SUSPENDED**

The dealing in Pakistan Pension Fund may be deferred or suspended during extraordinary circumstances including war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, closure of one or more Stock Exchange on which any of the Securities invested in by the Pakistan Pension Fund are listed, closure of the banking system or strikes or other events that render the Pension Fund Manager or the Distributors unable to function, or the existence of a state of affairs which, in the opinion of AHIM, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interests of the Pakistan Pension Fund or of the Participants, or a break down in the means of communication normally employed in determining the price of any Investment, or when remittance of money can-not be carried out in a reasonable time and if AHIM is of the view that it would be detrimental to the remaining Participants to redeem Units at a price determined in accordance with the Net Asset Value. Such a measure will be taken to protect the interests of the Participants in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System and under extreme circumstances the Pension Fund Manager may decide to transfer the Pension Fund to another pension fund manager as per procedure given in Clause 6.16. However, suspension of redemption will not applicable on Approved Income Payment Plan Accounts of the respective Participants.

## **12. SAFEGUARD OF MONEY**

No contribution should be paid to an intermediary, except the Pension Fund Manager or his authorized representatives as prescribed. Contributions should be in the form of “Account Payee Only” Cheques, Payment Orders or Demand Drafts or direct bank transfers to the account of “**Trustee – Pakistan Pension Fund**”. **No contribution shall be made in the form of cash or any bearer instrument.**

### **13. DISTRIBUTION RESTRICTIONS**

Distribution of dividend is not allowed under the Rules (Voluntary Pension System Rules, 2005).

## **14. TAXATION**

### **14.1 TAX CREDIT FOR CONTRIBUTIONS TO PAKISTAN PENSION FUND**

An eligible person, as defined in sub-section (19A) of section 2 of the Income Tax Ordinance, 2001, deriving income chargeable to tax under the head “Salary” or the head “Income from Business”, will be entitled to a Tax Credit for a Tax Year in respect of any contribution or premium paid in the year by the person to the approved Pakistan Pension Fund under the Voluntary Pension System Rules, 2005.

The amount of a person’s Tax Credit allowed under Sub-section (1) for a Tax Year shall be computed according to the following formula, namely: –

$$(A/B) \times C$$

Where.–

- A** is the amount of tax assessed to the person for the Tax Year, before allowance of any Tax Credit under this Part;
- B** is the person’s taxable income for the tax year; and
- C** is the lesser of –
  - (i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or
  - (ii) twenty percent of the person’s taxable income for the relevant Tax Year Provided that a person joining the Pakistan Pension Fund at the age of forty-one years or above, during the first ten years of the notification of the Voluntary Pension System Rules, 2005, shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided, further, that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year; or
  - (iii) five hundred thousand rupees

### **14.2 TAX EXEMPTIONS**

Exemptions under clause (57) sub clause (3) (viii) of Part-I of the Second Schedule of the Income Tax Ordinance, 2001:

- (a) Total income of Pension Fund.
- (b) Profit or gain or benefit derived by the Pension Fund Manager on redemption of the seed capital invested in the Pension Fund.

### **14.3 WITH HOLDING TAX**

The Pension Fund Manager will deduct a tax as per Tax Rules if any amount is withdrawn

- (i) before the retirement age, or
- (ii) in excess of 25% of the individual's accumulated balance at or after retirement age

The rate of tax used for this purpose shall be calculated as follows:

$$\text{Rate} = \frac{\text{Total tax paid or payable by the individual for the three preceding tax years}}{\text{Individual's total taxable income for the three preceding tax years}}$$

The above tax will not be deducted if the balance in the individual's Individual Pension Account is:

- a) transferred to an Approved Income Payment Plan of a Pension Fund Manager or
- b) paid to a life insurance company for the purchase of an approved Annuity Plan or
- c) transferred to another individual pension account of the taxpayer maintained with any other Pension Fund Manager under change of Pension Fund Manager option specified in the Voluntary Pension System Rules, 2005.

## 1. ILLUSTRATION for clarity from the point of view of the Participant

### DATA

YEAR	TAXABLE INCOME	TAX PAID/LIABILITY
1	1,800,000	270,000
2	2,100,000	336,000
3	2,200,000	352,000

Accumulated balance at the date of redemption in Year 4	Rs.	<b>3,000,000</b>
Amount of redemption (Case 1-before retirement)	Rs.	700,000
Amount of redemption (Case 2- at or after retirement-less than 25% of accumulated balance)	Rs.	700,000
Amount of redemption (Case 2- at or after retirement-more than 25% of accumulated balance)	Rs.	800,000

### TAX AT SOURCE CALCULATION

#### CASE 1

**Tax at source =**

Total tax paid or payable by the individual for the three preceding tax years /  
Individual's total taxable income for the three preceding tax years

**X** Amount redeemed

$$= (270,000+336,000+352,000)/(1,800,000+2,100,000+2,200,000) \times 700,000$$

$$= \text{Rs. } 109,934$$

#### CASE 2

No tax shall be deducted at source as the amount redeemed is less than 25% of accumulated balance.

### **CASE 3**

#### **Tax at source =**

Total tax paid or payable by the individual for the three preceding tax years /  
Individual's total taxable income for the three preceding tax years

**X** Amount redeemed

= (270,000+336,000+352,000)/(1,800,000+2,100,000+2,200,000) X 50,000

= Rs. 7,852

## **2. Procedure for claiming tax credit**

- a) An employee may provide documentary evidence of Contributions made during each Tax Year ending on June 30 to his employer who may then, under Section 149 (1), make adjustments of Tax Credit admissible under Section 63 from the tax to be deducted under the head 'salary'. The employee may claim a tax rebate as per the above illustration (A), depending upon the quantum of the Contributions made during that Tax Year and the applicable slab of that individual.
- b) A self-employed individual may claim the Tax Credit at the time of filing of his Return of Total Income for each Tax Year ending on June 30. In the computation of his total taxable income and tax payable, the individual may claim a tax rebate as per the above illustration (B), depending upon the quantum of the Contributions made during that Tax Year and the applicable slab of that individual.

## **3. Tax Credit Certificate to the Participant**

The Pension Fund Manager will send, on or before 31st July each year, a Certificate of contributions made to the Pakistan Pension Fund for the previous year ended June 30. The Pension Fund Manager shall also send, before June 30, Statement of Accounts, as may be required by the employer of the Participant, confirming payment by the Participant to the Pakistan Pension Fund under Sections 63 and 149(1) of the Income Tax Ordinance, 2001.

The transfer by the members of Approved Employment Pension Scheme or Annuity Scheme or Approved Occupational Savings Scheme (i.e. approved gratuity fund or recognized provident fund) of their existing balance to their Individual Pension Accounts maintained with the Pension Fund Manager shall not be entitled to a tax credit under section 63 of the Income Tax Ordinance 2001.

## **4. Tax Exemption on Contributions made by Employers on behalf of its employees**

For an employer contributing to the Pakistan Pension Fund on behalf of its employees, the Contribution to the Pakistan Pension Fund is a tax deductible charge, i.e. that the amount of Contribution made by the employer will qualify as an expense for tax purposes whilst calculating the taxable income of the employer. When computing the "income from business", the employer is allowed a deduction for the amount contributed to the Pakistan Pension Fund on behalf of its employees as Pakistan Pension Fund is an

Approved Pension Fund as defined under clause 3(c) of the Definitions of the Income Tax Ordinance, 2001.

#### **14.4 ZAKAT**

Units held by resident Pakistani Participants shall be subject to Zakat at 2.5% of the Par Value of Units under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption payment, if Units are redeemed during the Zakat year before payment of dividend.

#### **Disclaimer**

**The tax and Zakat information given above is based on the Pension Fund Manager's interpretation of the law which, to the best of the Pension Fund Manager's understanding, is correct but Participants are requested to seek independent advice from their tax advisors so as to determine the taxability arising from their Contributions to the Pension Fund.**

## **15 REPORTS AND ACCOUNTS**

### **15.1 ACCOUNTING PERIOD**

- 15.1.1 Accounting Period means a period ending on and including an Accounting Date and commencing (in case of the first such period) on the date on which the Trust Property is first paid or transferred to the Trustee and (in any other case) from the end of the preceding Accounting Period.
- 15.1.2 Accounting Date means the date 30th June in each year and any interim dates at which the financial statements of the Pakistan Pension Fund are drawn up. Provided, however, that the Pension Fund Manager may, with the consent of the Trustee and after obtaining approval of the Commission, change such date to any other date.

### **15.2 FUNDS' ACCOUNTS**

The Pension Fund Manager shall prepare Financial Accounts and Reports required under the Rules for each Sub-Fund of Pakistan Pension Fund as prescribed by the Commission, from time to time.

### **15.3 REPORTS**

The Pension Fund Manager shall:

- (a) Within three months of closing of the Accounting Period, prepare and transmit the Annual Report together-with a copy of the Balance Sheet, Income and Expenditure Account together-with the Auditor's Report for the Accounting Period, in respect of each Sub-Fund, to the Commission and Participants, in accordance with the Rules.
- (b) Within two months of the close of the first half of its Accounting Year of account, prepare and transmit to the Participants and the Commission a Profit and Loss account for and a Balance Sheet as at the end of that half year, whether audited or otherwise, in respect of each Sub-Fund, in accordance with the Rules.
- (c) Within a month of the close of the first and the third quarter, prepare and transmit a Quarterly Report to the Participants, the Trustee and the Commission, along with a Profit and Loss Account and Balance Sheet as at the end of the pertinent Quarter, whether audited or otherwise, in accordance with the Rules.

## **16. SERVICE TO PARTICIPANTS**

### **16.1 AVAILABILITY OF FORMS**

All the forms mentioned and/or included in this Offering Document will be available at all the Authorised Branches of all Distribution Companies as well as post from the Pension Fund Manager and on its web site. Sales Agents will also have limited stocks of the Forms.

### **16.2 REGISTER OF PARTICIPANTS**

- 16.2.1 The Pension Fund Manager has appointed Gangjees Registrar Service (Pvt.) Limited, as the Registrar of Pakistan Pension Fund. A Register of Participants will be maintained by the Registrar at 513, Clifton Centre, Clifton, Karachi. The Registrar would be responsible for maintaining Participants' records and providing related services. The Registrar will perform the Registrar Functions and all other related activities. The Pension Fund Manager shall ensure that the Registrar shall comply with all relevant provisions of the Deed and the Rules.
- 16.2.2 The Register will be maintained in electronic form and be password-protected. The Pension Fund Manager would grant access to all the Participants to receive their respective account information through the Client Services link on its website. The record-keeping system shall contain the computerized transaction log which shall record Participant Account changes, who made them and when they were made. The Registrar and the Pension Fund Manager shall make sufficient provisions for back-up of the Register and its storage at an off-site location.
- 16.2.3 The Pension Fund Manager will ensure that the Registrar shall, at all reasonable times, during business hours, give the Trustee and its representatives access to the Register and to all subsidiary documents and records or certified copies thereof and to inspect the same, with or without notice, and without any charge. The Trustee or its representatives shall only be entitled, after the written approval of the Commission, and under intimation to the Pension Fund Manager, to remove the Register or to make any entries therein or alternations thereto.
- 16.2.4 The Registrar will, within three working days of receiving a written request from any Participant, post (or send by courier or through electronic means) to such Participant, details of such Participant's account in the Register. Such service will be provided free of charge to any Participant requesting so once in any Financial Year. The Pension Fund Manager may prescribe reasonable charges for servicing of any additional requests.
- 16.2.5 The Register will contain the following information:
- (a) Registration number;
  - (b) Individual Pension Account number
  - (c) Full name, father's name, residency status, CNIC number (in respect of Pakistan nationals)/ NICOP number (in respect of overseas Pakistanis), National Tax Number and address of Participant;

- (d) If the Participant is registered through an employer, the Individual Pension Account Number will also be linked to an Employer Account Number that will contain the following:
  - Employer's name;
  - Registered address;
  - National Tax Number;
  - Number of employees contributing in VPS; and
  - Telephone number and e-mail address.
- (e) Date of Birth and Sex of the Participant;
- (f) Complete record of the amount and date of each contribution paid by the Participant;
- (g) Complete record of the amount and date of each contribution paid by the Employer;
- (h) Date and amount of incoming and outgoing transfers;
- (i) The number of Sub-Fund Units allocated and standing in the name of the Participant in the Individual Pension Account or Approved Income Payment Plan balances;
- (j) The date on which the name of every Participant was entered in respect of the Sub-Fund Units standing in his name;
- (k) Tax/Zakat status of the Participants;
- (l) Nominee(s);
- (m) Record of specimen signatures of the Participant and Nominee(s);
- (n) Information on retirement of the Participant and the payments made or to be made;
- (o) Information on death and transfer of the account to heirs; and
- (p) Such other information as may be specified by the Commission or that the Pension Fund Manager may require

16.2.6 The Register will be conclusive evidence as to the Sub-Fund Units or Individual Pension Account or Approved Income Payment Plan Account balances held by each Participant.

16.2.7 Any change of address or status of any Participant shall forthwith be notified in writing to the Registrar, who, on being satisfied therewith and on completion with formalities as required, shall update the Register accordingly.

16.2.8 The Participant or his nominee, as the case may be, shall be the only persons to be recognized by the Trustee, the Pension Fund Manager and the Registrar as having any right, title or interest in, or to, such Units and the Trustee, the Pension Fund Manager and the Registrar may recognize the Participant as the absolute owner thereof and shall not be bound by any notice to the contrary and shall not be bound to take notice of, or to see to, the execution of any trust, except where required by any court of competent jurisdiction.

16.2.9 Upon being satisfied that the contribution to the Pension Fund has been received in full from the successful applicant, the Registrar shall issue, within one week (seven days) of such contribution, an Acknowledgement/Statement of Account that will constitute

evidence of the number of Sub-Fund Units or Individual Pension Account or Approved Income Payment Plan Account balances registered in the name of the Participant and shall contain such other information as prescribed by the Commission, from time to time.

16.2.10 While making payment of the benefits, the Pension Fund Manager shall ensure that adequate description of reasons of payment i.e. retirement, disability, death benefit to the beneficiary (ies) is mentioned in the Register.

16.2.11 The accessibility of data shall extend to three years past the last amount paid to the Participant, subsequent pension fund manager or to the heirs of the Participant by the Pension Fund Manager.

### **16.3 STATEMENT OF ACCOUNT**

Upon being satisfied that the contribution to the Pakistan Pension Fund has been received, in full, from the Participants, the Registrar will send directly to each Participant a Statement of Account that will constitute evidence of the number of Sub-Fund Units or Pension Account or Periodic Payment Account balances registered in the name of the Participant.

The Registrar will issue a Statement of Account, each time there is a transaction in the Individual Pension Account and it will be posted to the Participant within 3 Business Days of each transaction.

## **17. FINANCIAL INFORMATION**

### **17.1 AUDITORS CERTIFICATE ON INVESTMENT OF SEED INVESTORS' INVESTMENT IN THE UNITS OF SUB-FUNDS OF THE PAKISTAN PENSION FUND**

The Board of Directors  
AHIM,

Dear Sirs,

Seed capital of the Pakistan Pension Fund has been provided by the Pension Fund Manager as under:

<b>Sub Funds</b>	<b>No of Units</b>	<b>Rupees</b>
PPF Equity Sub-Fund	300,000	30,000,000
PPF Debt Sub-Fund	300,000	30,000,000
PPF Money Market Sub-Fund	300,000	30,000,000

## **18. WARNINGS**

**INVESTMENT RISKS AND TAX IMPLICATION:** All investments in Pakistan Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Participants should read the Offering Document carefully to understand the investment policies, risks and tax implications and should consult their legal, financial or tax advisors before making any investment decisions. Withdrawals from the Pension Fund before the retirement age are subject to tax under the provisions of the Income Tax Ordinance, 2001.

## 19. COMPLAINTS

AHIM will follow up with the Participants Services Department and the Registrar on complaints and enquiries received from Participants with an endeavour to resolve them promptly.

For this purpose, Head of Investors Services Department has been appointed as the Participant's Relationship Officer. He may be contacted at the Head Office of the Pension Fund Manager at the following address:

**Head of Investor Services Department**  
**Arif Habib Investment Management Limited**  
**2/1, R.Y. 16, Old Queens Road**  
**Karachi 74000, Pakistan.**  
**Tel: (92-21) 111-468-378**  
**Fax: (92-21) 247 0351**

If any complaint or dispute arises between the Participant and the Pension Fund Manager under the VPS Rules, it shall be referred to the Insurance Ombudsman appointed under Section 125 of the Insurance Ordinance, 2000. (XXXIX of 2000). The Insurance Ombudsman shall have all the powers and shall follow the procedures as required under PART XVI of the Insurance Ordinance, 2000.

### 19.1 Procedure for lodging a complaint with the Insurance Ombudsman

The procedure for lodging a complaint with the Insurance Ombudsman shall be as provided in Section 129 of the Insurance Ordinance, 2000 and reproduced below:

- (a) A complaint shall be made in writing, addressed to the Insurance Ombudsman. The complaint shall set out the full particulars of the transaction complained of and the name and address of the Participant (complainant).
- (b) Prior to making a complaint, the Participant (complainant) shall intimate in writing to the Pension Fund Manager his intention of filing a complaint and if the Pension Fund Manager either fails to respond, or makes a reply which is unsatisfactory to the complaint, within a period of one month, the Participant (complainant) may file a complaint, at any time thereafter, within a further period of three months:

Provided that the Insurance Ombudsman may, if satisfied that there were reasonable grounds for the delay in filing the complaint, condone the delay and entertain the complaint.

- (c) The Insurance Ombudsman may adopt any procedure he considers appropriate for investigating a complaint.

Provided that he shall not pass any order against the Pension Fund Manager without first giving it a notice and an opportunity to be heard.

- (d) Subject to section 128, the Insurance Ombudsman shall not have any power to issue an order in the nature of a stay order or to entertain any complaints if the matter is pending before a Court, Tribunal or other legal forum.

- (e) The Insurance Ombudsman may reject a complaint summarily or he may accept the same or pass any other order he deems fit.

Provided that in each case he shall pass a reasoned order for his decision.

- (f) The Federal Government may further prescribe rules for the conduct of proceedings in relation to complaints brought before the Insurance Ombudsman.

## **19.2 Contact Details of Office of Insurance Ombudsman**

The Present Insurance Ombudsman is:

Mr. Justice(R) Syed Ali Aslam Jafri  
Federal Insurance Ombudsman Office  
5th Floor, State Life Building No. 2,  
Wallace Road, off I.I Chundrigar Road,  
Karachi.

Phone: 021-9211674; 021-9211698

Fax : 021-9213278-9

## **20. TRANSACTIONS WITH CONNECTED PERSONS**

20.1.1 The Pension Fund Manager, on behalf of the Pakistan Pension Fund, will not purchase from or sell any security to any of the Connected Persons.

20.1.2 Neither the Trustee nor the Custodian (if the Trustee has appointed another person as the Custodian) or any of their Connected Persons will sell or purchase any Investment with the Pension Fund, save in the capacity of intermediary or in the normal course of

business.

- 20.1.3 No single Connected stockbroker will account for ten percent or more of the Pakistan Pension Fund's brokerage or commission in any one financial year of the Pakistan Pension Fund, except if permitted in writing by the Commission.
- 20.1.4 If cash forming part of the Pakistan Pension Fund's assets is deposited with the Trustee or the custodian, which is a banking company, return will 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 depositors of similar duration.

## **21. GENERAL INFORMATION**

### **21.1 CONSTITUTIVE DOCUMENTS**

The Constitutive Documents of Pakistan Pension Fund are:

- (1) Trust Deed, dated 04 June 2007, executed between AHIM and the Muslim Commercial Financial Services Limited (the “MCFSL”), appointing the MCFSL as Trustee to the Fund;
- (2) Letter dated 27 June 2007 from the Auditors Confirming the subscription to the Units of PPF by the Seed investors.
- (3) Consents of the Auditors, Legal Advisors and Trustee to their respective appointments and having been named and described as such in this Offering Document.
- (4) Letter No. SECP/PW/Reg-01/2007 dated 08 January 2007 from SECP, registering AHIM as a Pension Fund Manager under the Voluntary Pension System Rules, 2005.
- (5) Letter No. 9 (1) SEC/SCD/PW-AHIML/2007 dated 24 May 2007 from SECP to AHIM, approving MCFSL to act as Trustee of Pakistan Pension Fund under the Voluntary Pension System Rules, 2005.
- (6) Letter No. SEC/SCD/PW-AHIML -01/2007/II dated 14 June 2007 from SECP to AHIM, authorizing Pakistan Pension Fund under the Voluntary Pension System Rules, 2005.
- (7) Letter No. SEC/SCD/PW-AHIML -01/2007/I dated 27 June 2007 from SECP to AHIM approving this Offering Document under the Voluntary Pension System Rules, 2005.

The Constitutive Documents concerning the Pakistan Pension Fund may be inspected at the Registered Office of the Pension Fund Manager at 2/1, R.Y. 16, Old Queens Road, Karachi-74000 or at any other address which may be notified by the Pension Fund Manager to the general public through news papers.

### **21.2 DATE OF PUBLICATION OF THIS OFFERING DOCUMENT**

The date of publication of this Offering Document is 27<sup>th</sup> June, 2007

### **21.3 STATEMENT OF RESPONSIBILITY**

**ARIF HABIB INVESTMENT MANAGEMENT LIMITED ACCEPTS RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION HEREIN CONTAINED AS OF THE DATE OF PUBLICATION.**

## **22. TERMINATION OF THE PAKISTAN PENSION FUND**

### **22.1 TERMINATION AND LIQUIDATION OF THE TRUST**

- 22.1.1 AHIM, subject to conditions of the Rules, the Trust Deed and approval of the Commission, may terminate Pakistan Pension Fund by giving at least three (03) months' notice, in writing, to the Participants, the Trustee and the Commission.
- 22.1.2 The Trust may also be terminated by the Commission on the grounds provided in the Rules.
- 22.1.3 The Trust Deed of Pakistan Pension Fund may be terminated in accordance with the conditions specified in the Rules if there is any breach of the provisions of the Trust Deed or any other agreement or arrangement entered into between the Trustee and the Pension Fund Manager regarding the Pension Fund. Both parties shall act in a manner that causes the least degree of inconvenience to the Participants and is the most cost efficient for the Fund and AHIM.
- 22.1.4 Upon the Trust being terminated, AHIM will suspend the acceptance of registration, Contribution(s) and withdrawals, forthwith, and proceed to transfer all assets and liabilities and records of Pakistan Pension Fund and each Sub-Fund to another pension fund manager under a scheme of arrangement to be approved by the Commission.
- 22.1.5 AHIM will ensure that accounts of the Pakistan Pension Fund, till the day of the transfer to the new Pension Fund Manager, are audited by the Auditors of the Fund and the Audit and Trustee Report is submitted, within one month from the date of such appointment, to the Commission, the new pension fund manager and the Trustee. AHIM, with the approval of the Commission, will decide the cost of such interim audit and the same may be charged to Pakistan Pension Fund with the prior approval of the Commission.
- 22.1.6 The Trustee, subject to clauses 22.1.4 and 22.1.5, on the recommendation of AHIM and approval of the Commission, shall transfer all the assets and liabilities and records of the Pension Fund and each Sub-Fund, including Individual Pension Accounts of Participants, to the other Pension Fund managed by the other Pension Fund Manager.
- 20.1.7 Thereafter, AHIM will proceed to dissolve the Pakistan Pension Fund under the relevant law and in the court of jurisdiction.

## 23. DEFINITIONS

Unless the context requires otherwise, the following words or expressions shall have the meaning, respectively, assigned to them viz.:

- 23.1 **“Accounting Date”** means the date 30th June in each year and any interim dates at which the financial statements of the Pakistan Pension Fund are drawn up. Provided, however, that the Pension Fund Manager may, with the consent of the Trustee and after obtaining approval of the Commission and the Commissioner of Income Tax, change such date to any other date.
- 23.2 **“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;
- 23.3 **“Annuity”** means a series of payments at set frequencies;
- 23.4 **“Approved Annuity Plan”** means an Annuity Plan approved by the Commission under Section 2(3A) of the Income Tax Ordinance, 2001.
- 23.5 **“Approved Income Payment Plan”** means an Income Payment Plan approved by the Commission under Section 2(3B) of the Income Tax Ordinance, 2001.
- 23.6 **“Auditors”** means, a person qualified under the provisions of section 254 of the Ordinance to act as an auditor of a company;
- 23.7 **“Authorized Branch”** means, those branches of the Distributors that have been authorized by the Pension Fund Manager, from time to time, to perform Distribution Functions.
- 23.8 **“Authorized Investment”** means investments transacted, issued, traded or listed in Pakistan and abroad as defined in clause 8.2 of the Offering Document.
- 23.9 **“Bank”** means an institution providing banking services under the banking laws of Pakistan or, if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan.
- 23.10 **“Bank Accounts”** mean those accounts the beneficial ownership of which rests in the pertinent Participants and for which Muslim Commercial Financial Services (Pvt.) Limited has been appointed the Trustee.
- 23.11 **“Business Day/Dealing Day”** means a day (such business hours thereof) when Banks are open for business in Pakistan.
- 23.12 **“Commission”** or **“SECP”** means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997) that is the main regulator for the Pakistan Pension Fund.
- 23.13 **“Connected Person”** in relation to a company registered as a Pension Fund Manager, means;-
- (a) 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;
- (b) any person or company controlled by a person who or which meets one or both, of the descriptions given in sub-clause (a);
  - (c) any member of the Group of which that company forms part; or
  - (d) any director, officer and employee of that company or of any of their connected persons as specified in sub-clauses (a), (b) and (c) or any body providing service or exercising power of that company;
  - (e) The words director, officer and employee shall include their spouses, lineal ascendants and descendants, brothers and sisters;
- 23.14 **“Constitutive Documents”** means the principal document governing the formation of the Pakistan Pension Fund and includes this Offering Document and the Trust Deed and all material agreements;
- 23.15 **“Contribution”** means an amount that may be voluntarily determined by an individual as payable annually, semi-annually, quarterly, or monthly or with any other frequency to the Pakistan Pension Fund and held in one or more individual Pension Accounts of a Participant, subject to any specified minimum limit;
- 23.16 **“Custodian”** means a bank, the Central Depository Company, or any other Depository for the time being appointed by the Trustee, with the approval of the Pension Fund Manager, to hold and protect the Trust Property, or any part thereof, as Custodian on behalf of the Trustee; the Trustee may also, itself, provide custodial services for the Pakistan Pension Fund, with the approval of the Pension Fund Manager, at competitive terms, as part of the normal line of its business.
- 23.17 **“Deed”** means the Trust Deed which is the principal document governing the formation, management or operation of the Pakistan Pension Fund.
- 23.18 **“Default Allocation Scheme”** means the default asset allocation scheme as determined by the Pension Fund Manager in light of the Prescribed Allocation Policy, allocating the Contributions received from the Participants between the Sub-Funds, as deemed fit, for those Participants who have not selected any Allocation Scheme;
- 23.19 **“Distributor”, “Distribution Company”, “Distribution Companies”** mean a company or companies, firm, or bank appointed by the Pension Fund Manager, with the approval of the Trustee, for performing any or all of the Distribution Functions and shall include the Pension Fund Manager itself if it performs the Distribution Functions.
- 23.20 **“Distribution Functions”** means the functions with regard to:
- (a) Receiving applications for the issue of Units at the aggregate Issue Price for Units applied for by such applications;
  - (b) Issuing receipts in respect of (a) above;
  - (c) Interfacing with and providing services to the Participants, such as receiving Applications for redemptions, transfers, change of addresses or issue of duplicate certificates, for immediate transmission, for processing to the Pension Fund Manager or the Registrar ,as appropriate; and

- (d) Accounting to the Trustee for (i) moneys received from applicants for the issuance of units; (ii) payments made to the Participants on redemption of Units; (iii) expenses incurred in relation to the Distribution Function.
- 23.21 **“Duties and Charges”** means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, transfer fees, registration fee and other duties and charges in connection with the issue, sale, transfer, redemption or purchase of Sub-Fund Units, or otherwise, which may have become, or may be, payable in respect of, or prior to, or upon the occasion of the transaction or dealing, in respect of which such duties and charges are payable, but do not include the remuneration payable to the Distribution Company or any Front-end Fee or commission payable to agents or any commission charges or costs which may have been taken into account in ascertaining the Net Asset Value.
- 23.22 **“Form”** means a Form annexed to this Offering Document in Annexure “I” hereto;
- ~~23.23~~ **“Formation Costs”** means all preliminary and floatation expenses of the Fund including expenses in connection with authorization of the Fund, execution and registration of the Trust Deed, issue, legal costs etc. and shall not include any marketing, sales, promotion, education, communication or any form whatsoever of any advertisement costs;
- 23.24 **“Front-end Fee”** means the sales and processing charges, payable to the Distribution Companies/Sales Agent.
- 23.25 **“Holder” or “Participant”** means the investor for the time being entered in the Register as owner of a Unit of a Sub-Funds and of amounts, if any, held by the Trustee, on his behalf, pursuant to the provisions in the Deed.
- 23.26 **“Income Payment Plan” or “Income Drawdown Plan”** means a Plan to enter into an agreement with the Pension Fund Manager after retirement, enabling withdrawal of the remaining amount in monthly installments till the age of seventy-five years or earlier.
- 23.27 **“Investment”** means any Authorized Investment forming part of the Trust Property.
- 23.28 **“Sales Agent”** means an individual, firm, corporate or other entity appointed by the Pension Fund Manager to identify, solicit and assist Participants in investing in the Pakistan Pension Fund. The Pension Fund Manager shall compensate Sales Agents out of the Front-end Fee collected by it from the Contributions.
- 23.29 **“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;
- 23.30 **“Net Assets”** means the excess of assets over liabilities of the Pakistan Pension Fund, such excess being computed in the manner specified in clause 6.10 and 23.32 of the Offering Document.
- 23.31 **“Net Asset Value”** means per Unit Value of the Sub-Funds arrived at by dividing the Net Assets by the number of Units outstanding. Net Assets 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 Auditors 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, Bonuses 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;

23.32 **“Offering Document”** means the prospectus, advertisement or other document (approved by the Commission), which contains the investment and distribution policy and all other information in respect of the Pakistan Pension Fund and the various arrangements covered by the respective Supplementary Offering Documents, as required by the Rules, and is calculated to invite offers by the public to invest in the Pakistan Pension Fund.

23.33 **“Ordinance”** means the Companies Ordinance, 1984.

23.34 **“Participant”** means any person who makes contributions, or on whose behalf contributions are made to PPF and shall include contributions made to one or more other pension funds and held in one or more such identifiable individual pension accounts managed by one or more Pension Fund Managers;

23.35 **“Pakistan Pension Fund”, “PPF”, “Trust”** means a Pension 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 the Sub-Funds and includes

all income or investment returns thereon but excludes fees, charges and expenses related to the management of the investments of the Sub-Funds;

- 23.36 **“Pension Account”** means an individual account of a Participant maintained by the Pension Fund Manager to record his investments, redemptions, transfers in, transfers out to other Pension Fund Manager, transmission, Income drawdown and other related transactions and the Units of the Sub-Funds issued there against, including appreciations thereof.
- 23.37 **“Pension Fund Manager”** means Arif Habib Investment Management Limited an asset management company duly authorized by the Commission to efficaciously manage the contributions made by, or on behalf of, Participants in Pakistan Pension Fund and meet such other conditions as may be prescribed, from time to time, by the Commission;
- 23.38 **“Prescribed Allocation Policy”** means the allocation policy as prescribed by the Commission from time to time.
- 23.39 **“PPF”**, in relation to the Sub-Funds, is the abbreviation of Pakistan Pension Fund
- 23.40 **“Records”** include ledgers, day books, cash books and all other manuals or magnetic records used in the business of a Pension Fund Manager;
- 23.41 **“Regulations”** means regulations made by the Commission under the Rules;
- 23.42 **“Register”** means the Register of the Participants kept pursuant to the Rules and the Trust Deed.
- 23.43 **“Registrar”** means an organization that the Pension Fund Manager shall appoint for performing the Registrar Functions.
- 23.44 **“Registrar Functions”** means the functions with regard to:
- (a) Maintaining the Register;
  - (b) Processing requests for issue, redemption, transfer and transmission of Units and requests for recording of changes in data with regard to the Participants
  - (c) Issuing Statement of Accounts;
- 23.45 **“Rules”** means the Voluntary Pension System Rules, 2005, as amended from time to time.
- 23.46 **“Pakistan Pension Fund’s Auditors”** mean the Auditors.
- 23.47 **“Seed Investors”** of the Pakistan Pension Fund shall be such initial investors whose subscription shall, in aggregate, be in compliance of the requirements of Rule 9(3)(b) of the Rules. The Seed Investors shall be issued Seed Capital Units representing their subscription.
- 23.48 **“Seed Capital Units”** shall mean such Units of the Pakistan Pension Fund that are issued to Seed Investors with the condition that these are not redeemable for a period of three years from the date of issue. Such Units are transferable and may be pledged. Such Units shall all rank pari passu with all other Units.
- 23.49 **“Stock Exchange”** means the Karachi Stock Exchange, Lahore Stock Exchange and

Islamabad Stock Exchange or any other stock exchange registered under the Securities and Exchange Ordinance 1969.

- 23.50 **“Sub-Fund”** means the collective investment of sub-funds in a specified asset class following a specified investment policy set up within the overall Pakistan Pension Fund. The Trust Property shall be accounted for and segregated with respect to each Sub-Fund.
- 23.51 **“Subscription Day”** means every Business Day, provided that the Pension Fund Manager may, with the prior written consent of the Trustee, and upon giving not less than 7 days notice in the newspapers, declare any particular business day not to be a Subscription Day.
- 23.52 **“Supplementary Offering Document”** means a document issued by the Pension Fund Manager, in consultation with the Trustee, after seeking approval of the Commission, describing the special features of new type of Units and offering investment in the Pakistan Pension Fund.
- 23.53 **“Tax Year”** shall have the same meaning as ascribed to it under the Income Ordinance, 2001.
- 23.54 **“Trust Property”** means the amount of Seed Capital invested in respective Sub-Funds of Pakistan Pension Fund and the contributions received from the Participants of Pakistan Pension Fund, after deducting there-from, or providing there against, the value of Redemptions, Front-end Fees, Duties and Charges (if included in the Offer Price or Redemption Price) applicable to the issue or redemption of Units and any expenses chargeable to the Sub-Funds of Pakistan Pension Fund; and includes the Investment and all income, profit and other benefits arising there from and all cash and other assets, movable or immovable, and property of every description, for the time being, held or deemed to be held, upon trust by the Trustee for the benefit of the Participants, pursuant to the Trust Deed. Trust Property also includes amount in Pension Accounts and Periodic Payment Accounts. Property of each Sub-Fund of the Pakistan Pension Fund will **not be** comingled with each other.
- 23.55 **“Trust”** means the overall structure under which the Sub-Funds are set up and custody and banks accounts are operated for specified purposes.
- 23.56 **“Unit”** means one undivided share in a Sub-Fund and, where the context so indicates, a fraction thereof.
- 23.57 **“Valuation Date”** means the pertinent date on which the value of the investments or assets of a Sub-Fund is determined.
- 23.58 **“Zakat”** has the same meaning as in the Zakat and Ushr Ordinance, 1980.

Words and expressions used but not defined herein shall have the meanings assigned to them in the Rules. Words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural and words “written” or “in writing” include printing, engraving, lithography, or other means of visible reproduction.

The words and expressions used but not defined in the 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.

## 24 SIGNATORIES TO THE OFFERING DOCUMENT

<i>Name</i>	<i>Position in Pension Fund Manager</i>	<i>Signatures</i>
Mr. John Kirkham	Vice- Chairman	
Mr. Nasim Beg	Chief Executive	
Mr. Muhammad Akmal Jameel	Director	
Mr. Sirajuddin Cassim	Director	
Mr. Muhammad Shafi Malik	Director	
Mr. Kashif Habib	Director	
Mr. Salim Chamdia	Director	

Dated: 27 June 2007

Place: Karachi, Pakistan

Witness: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No.: \_\_\_\_\_

## ANNEXURE “A”

### Trustee’s Tariff Structure for Trusteeship of Open-end Scheme

The Trustee remuneration shall consist of reimbursement of actual custodial expenses/charges plus the following tariff:

Amount of Funds Under Management (Average NAV)	Tariff per annum
On Net Assets up to Rs. 100 million	0.2% per annum or Minimum Rs 180,000/- per annum, whichever is higher.
On Net Assets exceeding Rs. 100 million but not exceeding Rs. 200 million	Rs 0.200 million plus 0.19% per annum on Net Assets exceeding Rs 100 million.
On Net Assets exceeding Rs. 200 million but not exceeding Rs. 250 million	Rs 0.390 million plus 0.18% per annum on Net Assets exceeding Rs 200 million.
On Net Assets exceeding Rs. 250 million but not exceeding Rs. 500 million	Rs 0.480 million plus 0.15% per annum on Net Assets exceeding Rs 250 million.
On Net Assets exceeding Rs. 500 million but not exceeding Rs. 1000 million	Rs 0.855 million plus 0.08% per annum on Net Assets exceeding Rs 500 million.
On Net Assets exceeding Rs. 1000 million but not exceeding Rs. 2000 million	Rs 1.255 million plus 0.08% per annum on Net Assets exceeding Rs 1000 million.
On Net Assets exceeding Rs. 2000 million but not exceeding Rs. 5000 million	Rs 2.055 million plus 0.06% per annum on Net Assets exceeding Rs 2000 million.
On Net Assets exceeding Rs. 5000 million	Rs 3.855 million plus 0.05% per annum on Net Assets exceeding Rs 5000 million.

# Annexure “B”

## DISTRIBUTION COMPANIES AND THEIR BRANCHES

**This list is based on the current addresses of the Area Offices of the Management Company and the addresses of the current Authorised Branches of Distributors and can be changed due to relocation of offices or addition or deletion of Authorised Branches and additional Distributors.**

### HEAD OFFICE OF THE MANAGEMENT COMPANY

2/1, R.Y.16, Old Queens Road, Karachi-74000.

TEL: (092-21) 111-468-378 (111-INVEST), 2470153-62, 2470210-19.

Fax: (092-21) 247-0351, 247-0337.

Email: [marketing@arifhabib.com.pk](mailto:marketing@arifhabib.com.pk).

Website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)

### BRANCHES OF THE PENSION FUND MANAGER

Karachi	Lahore	Islamabad/Pindi	Multan
2/1, R.Y. 16, Old Queens Road, Karachi Tel: (021) 111-468-378 Fax: (021) 2470351 Email: <a href="mailto:marketing@arifhabib.com.pk">marketing@arifhabib.com.pk</a>	4 Mezzanine Floor, Rehman Business Center, 32-B-III, Gulberg III Lahore Tel: (042) 111-468-378, Fax: (042) 5840487. Email: <a href="mailto:salim.beg@arifhabib.com.pk">salim.beg@arifhabib.com.pk</a>	60 - A, Canning Road Rawalpindi 46000 Tel: (051) 111-468-378 Fax: (051) 5563091 Email: <a href="mailto:zahir.khan@arifhabib.com.pk">zahir.khan@arifhabib.com.pk</a>	143-144, Mall Plaza Multan Cantt. Tel: (061) 111-468-378 Fax: (061) 4542924 Cell:(0300) 6304490 Email: <a href="mailto:nawazish.zaidi@arifhabib.com.pk">nawazish.zaidi@arifhabib.com.pk</a>
Peshawar	Faisalabad		
1st Floor, State Life Building 34 The Mall. Peshawar Tel: (091) 287696 Fax: (091) 287697 Email: <a href="mailto:haroon.ayub@arifhabib.com.pk">haroon.ayub@arifhabib.com.pk</a>	P-838, Plot # 75, Liaquat Road Faisalabad Tel: (041) 111-468-378 Email: <a href="mailto:imran.ahmad@arifhabib.com.pk">imran.ahmad@arifhabib.com.pk</a>		

# **ANNEXURE “C”**

## **Registration of the Pakistan Pension Fund Manager**

# **ANNEXURE ‘D’**

## **Authorisation of Pakistan Pension Fund Manager**

# ANNEXURE ‘E’

## Authorisation of Trustee



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
Faisala, Wing  
\*\*\*\*\*

No S(1)SEC/CD/PW-ARML/007

May 24, 2007

Mr. Nadeem Beg  
Chief Executive  
Aurion Investment Management Limited,  
21, K.V. 14, Old Quarters Road,  
Karachi-71000

Subject: Approval for Appointment of Mr. Masim Commercial Financial Services  
Pvt. Ltd. as Trustee of the proposed Pakistan Pension Fund and  
Demutualization of the Fund

Dear Sir,

Please refer to your letter No.S(1)SEC/CD/PW-0557/07 dated 21<sup>st</sup> May, 2007 on the captioned subject.

2. I am directed to convey the APPROVAL of the Securities and Exchange Commission of Pakistan to the appointment of Mr. Masim Commercial Financial Services (Pvt.) Limited as Trustee of the proposed PAKISTAN PENSION FUND under rule 29 of the Voluntary Pension System Rules, 2005.

3. Furthermore, the remuneration of the Trustee, as per schedule of charges attached herewith as Annexure-1, is hereby approved under rule 34 of the Voluntary Pension System Rules, 2005.

Trusting you,

  
GHAZAL AKBAR  
Director

Encl: 01 (Annexure-1)

CC: Mr. Masim Commercial Financial Services (Pvt.) Ltd.  
27<sup>th</sup> Floor, Alhambra House 11 Chundrigar Road Karachi

140, Park Road, Durrani Towers, 22nd Floor, Islamabad  
Public Relations & Liaison Cell, The SECHEA, E-mail: [sec@sec.gov.pk](mailto:sec@sec.gov.pk)

**ANNEXURE ‘F’**  
**Authorisation of Registration of Trust Deed**



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPEKIM REGULATED AND DEVELOPMENT  
Exchange Floor  
\*\*\*\*\*

No. SEC/REG/REG/DP/AR/REG/1/2007

May 28, 2007

M/s. Nadeem Fong  
Chief Executive  
All FUND Investment Management Limited,  
2-LECY 26, 4th Avenue Road,  
Karachi-74000

**Subject: STIPULATED LETTER FROM SECURITIES AND EXCHANGE COMMISSION**  
**UNDER REG-**

How to:

Please refer to your letter No. SEC/REG/REG/DP/AR/REG/1/2007 on the captioned subject, whereby you have submitted the stipulated Draft Trust Deed of the proposed "Falcon Pension Fund" to be managed through M/s. All FUND Investment Management Ltd the "Falcon Fund Manager" and M/s. Meehan Commercial Financial Services (Pvt) Ltd. the "Trustee" in approval of the Commission.

2. I am directed to inform you that the Securities and Exchange Commission of Pakistan has **NOTIFIED** in the registration of the attached Draft Trust Deed of the proposed FUNDING FUNDS under the Trust A.A. 1982. The allowing of the Draft Trust Deed is, however, without prejudice to the consequences of verifying compliance to the conditions stipulated in the Conditions of Registration issued in favor of M/s. All FUND Investment Management Ltd. and the requirements stipulated in the Securities Pension System Rules, 2005.

3. Furthermore, you are advised to submit the copy of the duly registered Trust Deed in order to enable the Commission to proceed further in the matter.

Yours truly,  
  
CHAIRMAN

CC: The stipulated Draft Trust Deed of the proposed Falcon Pension Fund  
CCT: M/s. Meehan Commercial Financial Services (Pvt) Ltd.  
27 West, Avenue 26, 4th Cloudfloor Road, Karachi

100, Feroz Road, Karachi-74000, West Zone, Pakistan  
PACR: SEC/REG/REG/DP/AR/REG/1/2007

# **ANNEXURE “G”**

## **FORMS**