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**ISLAMABAD, OCTOBER 24, 2007**

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**S.R.O. 1214 (1)/74, dated 23rd December, 1979**

GOVERNMENT OF PAKISTAN  
MINISTRY OF LABOUR, MANPOWER & OVERSEAS PAKISTANIS  
LABOUR AND MANPOWER DIVISION

**Employees' Old-Age Benefits (Investment) Rules, 1979  
Amended\* upto date (Amended vide SRO 1060 (1)/2007) –**

*\*[Statutory Notification (S.R.O) 1060 (1)/2007: In exercise of the powers conferred by Section 44 of the Employees' Old-Age Benefits Act, 1976 (XIV of 1976), the Federal Government is pleased to direct that the following further amendments shall be made in the Employees' Old-age Benefits (Investment Rules) 1979, the same having been previously published vide S.R.O. 832 (I)/2007, dated 11th August, 2007 as required under sub-section(1) of the said section].*

Employees' Old-Age Benefits (Investment) Rules, 1979  
(amended up to date\* as on 24.10.2007)

S.R.O. 1214 (1)/74, dated 23rd December, 1979: In exercise of the powers conferred by Section 44 of the Employees Old-Age Benefits Act, 1976 (XIV of 1976) the Federal Government is pleased to make the following rules:-

- Short title and commencement:
  - (1) These rules may be called the Employees' Old-Age Benefits (Investment) Rules, 1979.
  - (2) They shall come into force at once.

**1. Short title and commencement:**

- (1) These rules may be called the Employees' Old-Age Benefits (Investment) (Amendment) Rules, 2007.
- (2) They shall come into force at once.

**2. Definitions:** In these rules unless there is anything repugnant in the subject or context.

- a) "Act" means the Employees' Old-Age Benefits Act, 1976 (XIV of 1976);
- b) "Authority" means an authority constituted by or under any law, and includes an authority constituted under any housing or building scheme approved by the Federal Government or a Provincial Government;
- c) "Company" has the same meaning as defined in clause (2) of Section 2 of the Companies Act, 1913 (VII OF 1913);
- d) "Controlled company" means a company in which not less than fifty-one percent of the voting share capital is held by the institution;
- e) "Corporation" means a corporation constituted by or under any law;
- f) "debenture" means written acknowledgement of a debt raised by an authority, corporation, company or non-guaranteed bank, and secured by a trust deed of mortgage, the debt being repayable at specified date or dates;
- g) "Dividend" means the distribution of profit in cash among, or of bonus shares in lieu thereof to, its shareholders by an authority, corporation, company or non-guaranteed bank;
- h) "Government-guaranteed securities" means securities in respect of which the Federal Government or a Provincial Government has given a full and unconditional guarantee both as regards the principal and interest payable thereon on being presented at the State Bank or other bank or a Treasury Office;
- i) "Government securities" means Government securities as defined in the Securities Act, 1920 (X of 1920) and Public Debt Act 1944 and includes Government Treasury Deposit Receipts, Postal Savings Deposits, Khas Deposit Certificates, Defence Saving Certificates, National Deposit certificates

and such other similar certificates as may be introduced by the Federal Government or a Provincial Government under any scheme

- j) “Guaranteed-bank” has the same meaning as defined in clause (1) of Section 3 of the Bank (Nationalisation) Act, 1974 (XIX of 1974)
- k) “net-worth” in respect of any authority, corporation, company or non-guaranteed-bank, means to the total value of its assets in Pakistan less the total actual and contingent liabilities (other than in respect of ordinary or preference shares), provisions for liabilities, loans and other charges payable, out of, or provided against, or charged on, the said assets:
- l) “Non-guaranteed-bank” means a scheduled bank with a paid-up capital of no less than thirty millions rupees, not being a guaranteed-bank:
- m) “Ordinary shares capital” means any class or classes of share capital which under the constitution of an authority, corporation, company or non-guaranteed bank to which it relates has no right to any fixed or preferred dividend or to any priority in the event of its winding up or liquidation;
- n) “Paid-up capital” means the total amount credited as paid-up on issued share capital;
- o) “Portfolio” means the aggregate of all investments made by the Institution at book value;
- p) “Preference share capital” means any class or classes of share capital which under the constitution of any authority corporation, company or non-guaranteed bank to which it relates has right to a fixed or preferred dividend or a priority over any other class of capital in the event of its winding up or liquidation; and
- q) “Strategic holding” means holding in a company in which the institution intends to hold less than 51% of the voting share capital in order to gradually build up its holding to acquire a board seat.

Provided the company has earning record of not less than twenty per cent earning per share per annum for the two accounting years immediately preceding the year in which investments is made.

**Rule3. Permissible Investments:** The Institution may invest money, which are not immediately required for expenses under the Act:

- (a) In Government securities such as Treasury Bill, Pakistan Investment Bonds, Euro Bonds including Foreign Currency denominated Government Securities;
- (b) In Government guaranteed securities such as WAPDA Bonds with the guarantee of both principal amount and interest;
- (c) In loans to companies, bodies corporate and financial institutions holding Government securities or Government guaranteed securities, the realizable value of which exceeds the amount of the loan and the accrued interest and other charges thereon, by no less than twenty per cent and such securities are pledged, hypothecated or assigned to the Institution subject to a minimum credit rating of “A+” for the borrowing institution and a minimum rating of “AAA” for the instrument”
- (d) In interest-bearing deposits of guaranteed banks;

(e) in debentures or loans, listed or unlisted TFCs or securities for money issued by, or loans to any such authority, corporation or company or interest bearing bank deposits, deposit accounts, term deposits and COIs in such Scheduled commercial banks or Islamic banks have a minimum credit rating of A+ and have not defaulted in the payment of the interest or profit accrued, or repayment of the principal thereof during three years immediately preceding the day on which such investment is made;”

(f) In ordinary or preference shares of any such authority or corporation or of such a company listed on any stock exchange in Pakistan, has earning record of not less than twenty percent; earning per share per annum for the two accounting years immediately preceding the year in which investment is made;”

(g) In ordinary or preference shares or debentures or loan stock of, or other securities for money issued by, or loans to, a controlled company or in a company in which Institution has strategic holding.

“(h) in immovable property, whether freehold or leasehold within the country; or”

(i) With the previous approval of the Federal Government, in such other investments as the Institution may think fit.

“(j) in any collective investment scheme (fund) authorized under Non-Banking Finance Companies (Establishment and Regulation Rules, 2003 and offered by an asset management company or an investment advisor carrying a valid license under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, subject to a minimum rating of the fund of “4-Star” and asset manager rating of “AM2”.

(k) In international securities including profit bearing securities, money market instruments, foreign currency bank deposits & certificates or investments, REITs and mutual funds subject to a minimum MorningStar rating of 3-Star for REITs and Mutual Funds and investment grade for all other permissible international investments.

#### **Rule 4 – Limits of investments –**

(1) Subject to these rules, the following shall be the limits up to which investments may be made under rule 3, namely:-

(i) For investment under clause (a), (b) & (d) no limit

(ii) For investment under clause (c) and (e), fifty per cent of the portfolio, on a combined basis.

(iii) For investment under clause (f) & (j) fifty per cent of the portfolio, on a combined basis.

(iv) For investment under clause (g)-

(a) in respect of any controlled company, or a company in which Institution has strategic holding, ten percent of the portfolio; and

(b) in respect of all such controlled companies or companies in which Institution has strategic holding together, thirty per cent of the portfolio on a combined basis.”

(v) for investment under clause (h)

- (a) in respect of any one property, ten percent, of the portfolio; and
- (b) in respect of all properties together thirty percent, of the portfolio;

(vi) for investment under clause (i) two and a half per cent of the portfolio.

“(vii) For investment under (k) thirty per cent of the portfolio or USD fifteen million whichever is lower;

(2) “No investment made in any one, corporation, company or **scheduled commercial or Islamic** bank under clauses (c), (e) and (f) of rules 3 shall exceed twenty-five per cent of its paid-up capital, or twenty-five per cent of its net worth in Pakistan, ten percent of the fund size in case of investment in mutual funds under clause (j) or two and a half per cent of the portfolio, whichever is less:

Provided that if there be any investment in partly paid-up shares of an authority, corporation, company or non-guaranteed bank, the limit be reduced by the uncalled for liability in respect of such shares.

(3) The aggregate of all investments made under clause (c), (e), (f), (g), (h), (j) and (k) shall not exceed eighty percent of the portfolio

**5. Disbursement not to be made where limits exceed:**

- (1) if at any time the existing investment in any class or aggregate of classes or in any one authority, corporation, company, non-guaranteed bank on immovable property exceed the limits prescribed by rule 4, then except as provided in rule 6 no. additional investment by way of actual disbursement of money or money’s worth shall be made by the institution at that time in such class or classes, or authority, corporation, company, non-guaranteed bank or immovable property.
- (2) In respect of any class or aggregate of classes or any one authority, corporation, company, non-guaranteed bank of immovable property, no additional investment shall be made at any time by way of or actual disbursement of money or money’s worth if such additional investment will cause the limits prescribed by rule, 4 to be exceeded, except as provided in rule 6.
- (3) For the purposes of this rule and rules 3, 4 and 6 all existing investments shall be taken at current book value.

**6. Power to invest in excess of prescribed limits:** The institution may, with the previous approval of the Federal Government, Invest its money, in excess of the limits prescribed by rule 4:

Provided that the aggregate of all investments made under this rule, together with investments made under clause (i) of rule 3, shall not exceed two and-a-half per cent, of the portfolio.

**7. Loans to officers and staff:** The Institution may make loans to its officers and members of staff in accordance with the regulations made in this behalf, but the

total amount of such loans outstanding at any time, including any interest accrued thereon, shall not exceed two percent, of the assets of the fund at its book value.

8. **Realization and reinvestment:** The Institution may at any time sell or realize any of its investments at such price, and reinvest all or part of the proceeds in such manner as it deems fit.

9. **Safe custody,-**

The Institution shall ensure that “proper” and adequate arrangements are made for the safe custody of the documents of title relating to investments. The following are the basic arrangements that are required to be made:

- a) All securities purchased, **if eligible**, to be transferred to the CDC account **maintained in the name of the Institution**
- b) In case of government securities, to be kept in safe custody in SGL with a **scheduled commercial bank or Islamic banks**
- c) In case of all those securities which are not available in electronic form, physical certificates to be kept in lockers with **scheduled commercial banks or Islamic banks**
- d) International securities, in Euro Clear account or in custody with banks **having good international standing”**