PRESS RELEASE
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SECP GRANTS RELAXATION IN ACCOUNTING TREATMENT FOR EQUITY SECURITIES HELD BY COMPANIES UNDER HE HEAD “AVAILABLE FOR SALE”


This relaxation is valid till December 31, 2009 and has been granted in the light of representations from various stakeholders including the Mutual Funds Association of Pakistan (MUFAP), Insurance Association of Pakistan (IAP), Pakistan Banking Association (PBA), Leasing Association of Pakistan (LAP), Modaraba Association of Pakistan (MAP), Karachi Stock Exchange (KSE) and the corporate sector. Detailed meetings have been held by SECP with all the relevant institutions and bodies including ICAP and the major Chartered Accountancy firms.

Throughout this period, very close coordination and consultation was maintained with SBP to ensure that there is a consistent accounting treatment throughout the country. The final decision on this issue was taken by both regulators unanimously and simultaneously so that the uncertainty that had recently been generated on this issue should come to an end as many companies were in the process of finalizing their annual accounts and half yearly accounting statements.

Stakeholders had requested relaxation in the said accounting treatment citing prevalent market conditions, closure of stock markets for four months and very low trading volumes on the stock markets which had made the application of impairment tests (i.e., arriving at fair valuation) difficult.

Before taking this step extensive consultation with major stakeholders were held by SECP. In this context, a meeting was convened by ICAP at their head office on February 7, 2009. In this meeting the stakeholders were of the view that the current economic conditions in the country are “rare circumstances” and the plunge in the equity markets cannot be considered to be a fair reflection of equity values. Under the existing accounting treatment related to recognition of impairment/decline in value of “Available for Sale” equity securities through Profit and Loss account will not reflect the correct financial performance of the corporate entities. SECP in its notification has also clearly stated that those
companies who are willing to follow the full requirements of IAS 39 are encouraged to do so.

*Imran Ghaznavi (Head of Internal & External Communications/Official Spokesman)*

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