

[AS PASSED BY THE NATIONAL ASSEMBLY]

A

Bill

*to provide for establishment of Pakistan Sovereign Wealth Fund*

Whereas it is expedient to provide for establishment of a sovereign wealth fund to contribute for sustainable economic development through the management of its funds and assets to achieve their optimal use according to the best international standards, policies and practices to maximize their value for future generations;

It is hereby enacted as follows: -

PART I

PRELIMINARY

1. **Short title, extent and commencement.** — (1) This Act shall be called the Pakistan Sovereign Wealth Fund Act, 2023.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context,

(a) “asset” includes any—

- (i) kind of property whether moveable or immovable, tangible or intangible; or
- (ii) legal or equitable estate or interest in property; or
- (iii) legal or equitable right;

(b) “Board” means the Sovereign Wealth Fund’s Board constituted under this Act;

(c) “chief executive officer or “CEO” means the chief executive officer of the Fund appointed under this Act;

(d) “foreign assets” mean any assets located outside Pakistan or title to which is held or registered outside Pakistan;

(e) “Fund” means the Pakistan Sovereign Wealth Fund established under this Act;

(f) “investment manager” includes a manager of the Fund, or of a sub-Fund or any portfolio of assets held by the Fund or of a sub-Fund;

- (g) "investment mandate" means investment strategy followed by the Fund as approved by the Supervisory Council and includes-
- (i) types of assets in which the Fund will invest;
  - (ii) details of assets to be transferred to the Fund;
  - (iii) sectors and regions in which the Fund will invest;
  - (iv) use or restriction on derivatives and gearing; and
  - (v) benchmarks of the Fund;
- (h) "in the public private partnership" shall have the same meaning as defined in Public Private Partnership Authority Act, 2017 (VIII of 2017);
- (i) "person" includes an individual, a company, a statutory body corporate, an association of persons whether incorporated or not, a trust and a partnership;
- (j) "in the private party" shall have the same meaning as defined in Public Private Partnership Authority Act, 2017 and includes a person who is eligible to bid for a Public Private Partnership project with the implementing agency;
- (k) "regulations" means regulations made under this Act;
- (l) "sub-fund" means sub-fund established within the Fund with specific investment objective having separate property and capital;
- (m) "Supervisory Council" means the Sovereign Wealth Fund's Supervisory Council constituted under this Act;
- (n) "Schedule" means schedule to this Act; and
- (o) "transfer assets" means the assets of every kind, whether corporeal or incorporeal, movable or immovable, tangible or intangible, and legal documents or instruments evidencing title to or interest in such assets listed in the Schedule I to this Act and in terms of section 9 of the Act, transferred subsequently to the Fund, which are owned, directly or indirectly, by the Federal Government.

## PART II

### PAKISTAN SOVEREIGN WEALTH FUND

**3. The Fund.** —(1) For the purposes of this Act, a Fund to be called the Pakistan Sovereign Wealth Fund hereby stands established which shall be owned and controlled by the Federal Government.

(2) The head office of the Fund shall be situated in Islamabad and the Board of the Fund may also establish offices in Pakistan and outside Pakistan.

(3) The Fund shall have perpetual succession and common seal and may sue and be sued at its own name, have independent legal personality and enjoy financial and administrative independence.

(4) The Fund's resources shall consist of-

- (i) the capital provided by the Federal Government;
- (ii) contribution from the Federal Government or State Bank of Pakistan;
- (iii) transfer of existing assets of the Federal Government including real estate and assets of state-owned enterprises under whatsoever arrangement;
- (iv) transfer of Federal Government shareholdings in state owned enterprises;
- (v) borrowings from established and reputable financial institutions;
- (vi) the profits and proceeds of the investments of the Fund;
- (vii) any moneys received by the Fund under any contract of insurance effected by the Board;
- (viii) such other moneys as may vest in or accrue to the Fund, whether in the course of its operations or otherwise; and
- (ix) any other resources as may be approved by the Board.

(5) The authorized capital of the Fund shall be one hundred trillion Rupees and its issued capital shall be paid in cash or in kind by the Federal Government.

(6) The issued capital of the Fund may be increased in the manner as provided in the regulations.

(7) The authorized capital of the Fund may be increased by a resolution of the Supervisory Council.

(8) The resolution to increase the authorized or the issued capital shall be published by the Board in the official Gazette and on the website of the Fund within fifteen days from the date of issue.

(9) The Board shall apply resources of the Fund to fulfil the objectives of the Fund as per the investment mandate approved by the Supervisory Council.

**4. Objectives of the Fund.**-(1) The objectives of the Fund shall be to contribute to sustainable economic development through the management of its funds and assets and achieving optimal use of them according to the best international standards and policies to maximize their value for future generations. This purpose may be achieved through the cooperation and participation with counterpart funds or other financial institutions or any of them on commercial basis to achieve the return determined by the investment policy of the Fund.

(2) The Fund shall ensure that its investment policy is consistent with best practices with regards to environmental and social responsibility and rules of governance.

**5. Business, which the Fund can transact.** —The Fund may, in order to achieve its objectives always in accordance with law, carry on, transact or do several kinds of business and acts as per its investment mandate including but not limited to the following-

- (a) invest in, purchase, maintain, divest through sell, or otherwise realize assets and investment of any kind;
- (b) sale and purchase of domestic and foreign equity securities; debt securities, derivatives, commodities and other financial assets;
- (c) developing rights on immovable, and all kinds of tangible assets;
- (d) project development, fund raising based on projects, foreign project credit extensions, and resource procurement through other means;
- (e) conducting of any kinds of commercial and financial activities in domestic and foreign primary and secondary markets;
- (f) participating in domestic investments and foreign investments conducted by other states and foreign companies;
- (g) investing in financial instruments issued domestically or foreign investment instruments;
- (h) participating in all kinds of money market operations;
- (i) acquiring, retaining and disposing of assets of any type in satisfaction of its claims;
- (j) entering into agreement as private party or implementing agency in Public Private Partnership;
- (k) appointing managers, custodians, consultants, attorney, agents and any other professional advisors for the effective management of the Fund;
- (l) purchasing or otherwise acquiring, owning, selling, transferring and exchanging any tangible and intangible, movable or immovable property or any rights, title or interest in such property acquired or vested in Fund for the conduct of its business;
- (m) accepting and furnishing any lien, charge, hypothecation or mortgage of any tangible or intangible movable or immovable property or assets in the conduct of its business receiving and paying commissions, fees and brokerage in connection with its business;
- (n) establishing any entity constituted, organised and operated in compliance with applicable law, including funds, sub-funds, any company, corporation, trust, limited liability partnership or a joint venture solely or jointly with other investors.
- (o) Coordinating and taking local or foreign technical assistance including exchange of experiences and capacity building to achieve objectives of the fund; entering into agreements and contracts and executing such documents as may be considered necessary to achieve its objectives;
- (p) borrowing or raising any money in such manner and upon such security as the fund may consider fit;
- (q) participate in the process of privatization to acquire ownership of state-owned enterprises or to provide financial advisory services in the privatization process;
- (r) doing of all such acts and things as may be incidental or subsidiary to transacting any of the aforesaid businesses; and
- (s) doing of such other acts and things in furtherance of purposes of this Act as may be approved by the Supervisory Council.

**6. Expenditure charged upon the Fund.**—The following expenditure shall be expenditure charged upon the Fund in accordance with annual budget referred to in section 28,—

- (a) general operational and administrative expenses of the Fund;
- (b) such remuneration, if any, as the Supervisory Council may fix for directors of the Board;
- (c) charges regarding insurance and indemnity of directors of the Board;
- (d) such remuneration of the chief executive officer and staff of the Fund;
- (e) the expenses for the audit of the Fund's books and accounts;
- (f) the remuneration payable to any investment manager, agent, advisor or consultant employed or retained by the Fund;
- (g) expenses arising from the contractual obligations and liabilities of the Fund; and
- (h) any other amount as approved by the Board.

**7. Borrowing and lending.** —(1) The Fund may, subject to Board approval, borrow in order to finance any of the investment projects that it is carrying out or participating in.

(2) A request for loan approval must be based on a recommendation from the investment committee accompanied by a review of the economic viability of each project and the data and analysis that the Investment Committee depended on for its recommendation, and the project must meet all standards required by the investment policy of the Fund.

(3) The Fund shall exercise its lending powers in accordance with this Act, as well as any regulations and limits established by the Board upon recommendation from the chief executive officer.

**8. Winding up of the Fund.** —The Fund shall not be wound up except through an Act of the *Majlis-e-Shoora* (Parliament).

**9. Transfer of assets to the Fund.**—(1) The Supervisory Council shall have the power to transfer the ownership of any of the assets of the Federal Government or the ownership interests of the Federal Government in any entity to the Fund on the recommendation of the Board and subject to the approval of Federal Government.

(2) From the date of commencement of this Act, the transfer assets listed in Schedule I shall stand transferred to the Fund as ultimate owner and their valuation in terms of Schedule II may be approved by the Federal Government subsequently. The transfer assets and any assets of the Federal Government which are transferred thereafter to the Fund in accordance with this section shall be recorded in the books and accounts of the Fund at their fair value.

(3) The fair value of transfer assets listed in Schedule I and assets transferred thereafter to the Fund shall be determined in accordance with the methodologies as given in Schedule II, by an independent valuer appointed by Supervisory Council and such fair value of transfer assets shall also be approved by the Federal Government.

10. **Establishment of entities.** —(1) Subject to the approval of the investment committee and the Board, the Fund may establish entities that are wholly owned by it, or acquire shares in other entities and increase their capital, in accordance with the investment plan proposed by the chief executive officer.

(2) The entities established or acquired in this manner shall be governed by the laws for the time being in force as applicable in their respective jurisdiction of incorporation and such entities shall not be subject to Pakistani governmental auditing rules, regulations, maximum wage or similar laws.

### PART III

#### THE SUPERVISORY COUNCIL

11. **Constitution and composition of Supervisory Council.**—(1) A Supervisory Council of the Fund is hereby constituted with the following membership, namely:-

- (a) The Prime Minister of Pakistan, being Chairman;
- (b) the Minister of Finance and Revenue;
- (c) the Minister of Planning Development and Special Initiative;
- (d) the *ex-officio* Finance Secretary;
- (e) the *ex-officio* Governor of the State Bank of Pakistan; and
- (f) the CEO of the Fund.

(2) In the absence of Prime Minister, the Minister of Finance and Revenue shall chair the meetings of the Supervisory Council.

(3) The quorum for the Supervisory Council meetings shall not be less than four members.

(4) Membership of the Supervisory Council members shall end in the case of their death or by resignation.

12. **Powers of Supervisory Council.**—The Supervisory Council shall have the following powers, namely: -

- (a) follow up and assessment of the Fund performance and the extent to which the Fund has achieved its purposes;
- (b) appoint members of the Advisory Committee of the Fund and form a nomination committee and appoint the directors of the Board on the proposal of the nomination committee;
- (c) transfer any asset to the Fund;
- (d) review the reports submitted by the Board and the action plan for the following fiscal year;
- (e) discussion and approval of the Board's annual report on what the remuneration of the Board members is, under any circumstance, during the fiscal year;

- (f) discussion and approval of the annual financial statements, the budget, the proposal for the distribution of profits, the report of the Board and the auditors and the Fund's final financial statements;
- (g) follow up on the performance of the Board in light of performance measurement standards;
- (h) reduce, increase or determine the Fund's authorized capital;
- (i) proposal for dissolving and liquidating the Fund;
- (j) proposal for removing any of the members of the Board from office;
- (k) setting the remuneration of the Chairman and directors of the Board which may include transportation allowance for meetings and Board meetings; and
- (l) deal with all matters which are presented by the Fund's Board to the Supervisory Council.

**13. Supervisory Council meetings.**—(1) The Fund Supervisory Council meeting shall be convened at least once a year upon invitation by its Chairman or by two-thirds of its members or one of the Fund's auditors.

(2) Supervisory Council Meeting decision's shall be passed by the majority of votes present and, in case of equal votes, the Chairman's vote shall be final.

(3) Delegation or proxy shall not be permitted in attending the Supervisory Council meetings.

#### **THE BOARD**

**14. The Board.**— (1) The Supervisory Council, acting on the advice of the nomination committee, shall appoint the directors of the Board.

(2) The general superintendence, direction, management of the affairs and business of the Fund and overall policy making in respect of its operations shall vest in the Board which may exercise all such powers and do all such acts, deeds and things which may be exercised or done to achieve the objectives of the Fund under this Act.

(3) For avoidance of doubt, no legal proceedings in any court of Pakistan shall be instituted, filed, continued or concluded against the Fund except by, against or on behalf of the CEO as the administrator of the Fund.

**15. Composition of the Board.** —The Board shall consist of seven directors appointed by Supervisor Council from the private sector who have proven competence in finance, investment management, banking, risk management, treasury, economics, accountancy, business management, law or any other relevant field. The Supervisory Council shall designate one of the director as Chairman of the Board.

**16. Term of a director of the Board.** —(1) Term of every director of the Board shall be five years from the date of his appointment. Director of the Board shall be eligible for reappointment for one or more additional terms.

(2) No act, proceedings or decision of the Board shall be invalid by reason only of the existence of a vacancy in, or defect in the constitution of the Board.

**17. Functions and responsibilities of the Board.**—(1) The Board shall be responsible for the affairs of the Fund and have all powers necessary for attaining objectives of this Act.

(2) The following, and such others as may prescribed by regulations shall be the powers, functions and responsibilities of the Board, namely:-

- (a) to oversee the investment and management of the Fund in accordance with this Act and in a manner the Board judges best suited to achieve the objectives of the Fund;
- (b) to develop financial, administrative and investment policies, standard operating procedures necessary for the Fund to achieve the objectives of this Act along with supervision of implementation thereto;
- (c) to prepare the investment mandate of the Fund and appoint investment managers in accordance with section 25;
- (d) to invest assets of the Fund either directly or through other entities to achieve the best possible risk adjusted return;
- (e) to reinvest the profits and proceeds of the Fund's investments;
- (f) the issuance of internal policies and objectives, and performance indicators to achieve the Fund objectives;
- (g) to follow up on the Fund overall performance according to the performance indicators established by the Board;
- (h) to oversee the periodic performance assessment process for the Fund investment portfolios and investments;
- (i) to approve the annual budget of the Fund and ratifying the financial statements and proposing the distribution of profits in preparation for submission to the Supervisory Council for approval;
- (j) to approve the auditors' reports and the Chief Executive Officer's report on the financial position of the Fund and outcomes of its work for each fiscal year and submitting them to the Supervisory Council for approval;
- (k) to discuss and approve the investment and business plan of the Fund in consultation with the Advisory Committee after approval by the Investment Committee and monitoring its implementation;
- (l) to approve the governance regulations of the Fund and the regulation of non-conflict of interests of its employees, Directors of its Board and its advisors;
- (m) to issue the financial, administrative and technical regulations of the Fund, the personnel regulations, contracts and procurement and service delivery regulations without being subject to the restrictions of governmental rules and regulations;
- (n) to issue of internal policies and procedures necessary for the functioning of the Fund;
- (o) to ratify the recruitment of higher-level positions in the Fund;
- (p) to appoint or change the auditors, and determining their fees;
- (q) to issue regulations and procedures observed by the Fund in its transactions, investments and contracts;



- (r) to issue standards and criteria, guaranteeing the soundness of the Fund's financial position and due financial performance thereof, and issuing decisions necessary for the due implementation of such standards and criteria;
- (s) to approve the Fund's organizational and administrative structure and the powers of the Fund staff including the powers to enter into contracts;
- (t) to develop regulations regulating the Board work and meetings;
- (u) to oversee all technical, administrative and financial work assumed by the CEO;
- (v) to approve lending and borrowing and mortgage contracts or pledge of any assets of the Fund to secure the financing of any of the Fund's investment projects, in addition to settlement agreements arbitration agreements provided that delegation shall not be permitted in terms of such powers; and
- (w) to carry out such other activity connected therewith or ancillary thereto.

**18. Disqualifications of directors of Board.** —No person shall be appointed or hold office as director of the Board, who-

- (a) has been convicted by a competent court for tax evasion or has been convicted for fraud, misappropriation or siphoning of funds or has been convicted by a court of law for an offence involving moral turpitude;
- (b) has been deprived of the right to hold a position of financial responsibility by a regulatory authority or a competent court of law;
- (c) is a person declared insolvent by a competent court of law;
- (d) is in the services of Pakistan or other employee of the Government;
- (e) is a public sector person; and
- (f) has been convicted by a competent court of law for any crime involving dishonesty, even if pardoned.

**Explanation.-** For the purpose of this section, the expression "public sector person" means a person who is in the service of Pakistan or a member of *Majlis-e-Shora* (Parliament) or Provincial Assembly or in the service of any statutory body or entity which is owned or controlled by the Federal Government or a Provincial Government not including a university or an educational institution.

**19. Removal of director of the Board.** (1) A director of the Board may be removed by the Supervisory Council by an order in writing where it is established that,-

- (i) any ground under section 18 is applicable;
- (ii) he has become physically or mentally incapable of carrying out his responsibilities as determined by an independent medical panel of experts;
- (iii) he has been found engaged by an independent investigation committee in breach of any provision of this Act or regulations made thereunder;
- (iv) he has been convicted for criminal offence by a competent court of law; or
- (v) he has been absent from three or more successive meetings of the Board without leave of absence.

(2) A director of the Board may at any time resign from his office by a written notice addressed to the Supervisory Council.

**20. Functions of a Board of director.**—(1) The directors of the Board shall perform the following functions, namely: -

- (a) act within powers conferred upon the director in accordance with this Act;
- (b) promote the success of the Fund;
- (c) exercise independent judgment;
- (d) exercise reasonable care, skill and diligence;
- (e) avoid conflicts of interest;
- (f) not accept benefits from third parties;
- (g) declare an interest in a proposed transaction or arrangement; and
- (h) declare the interest in existing transaction or arrangement.

(2) The directors of the Board may rely on the advice, opinions, reports or statements prepared by external professionals or experts in the course of discharging their functions and shall include advice, opinions, reports or statements provided by the Advisory Committee.

**21. Committees of the Board.**—(1) The Board shall constitute the following committees, consisting at least three members of the Board each, to assist it in the performance of its functions under this Act-

- (a) investment committee;
- (b) audit committee;
- (c) risk management committee; and
- (d) such other committee as it considers necessary or expedient.

(2) The powers, functions, duties and other terms of appointment of a committee shall be such as the Board may determine.

(3) The members of a Board committee shall hold office for such period as the Board may determine.

(4) The minutes of every meeting of a committee shall be presented before the Board at its next meeting following the meeting of the committee.

(5) The Board shall develop necessary policies and mechanism to ensure independent and efficient performance by the committees of their assigned responsibilities.

(6) All decisions shall be taken by majority of committee members and in the event of equality of the votes, the chairperson may exercise a casting vote.

**22. Chief executive officer and other employees.** —(1) The Board shall appoint CEO of the Fund for a term of five years renewable for other periods and he shall be deemed member of the Board. The CEO appointment, powers and financial perks thereof shall be determined by resolution by the Board. The CEO shall represent the Fund in all its relations with third parties and before courts.

(2). The CEO resignation or removal from office shall be made by a Board resolution upon a report prepared by the Board and after inviting the CEO to attend the Board meeting to discuss and

hear his viewpoint in this regard. The Board shall submit its report in the following meeting of the Supervisory Council.

(3) The Fund may, from time to time, induct persons to be employees of the Fund who shall be paid such remuneration and allowances and shall hold their employment on such terms and conditions as may be prescribed by regulations.

**23. Powers of the CEO.** — The CEO shall, subject to the general control of the Board,—

- (a) be responsible to implement the decisions of the Board and carry out the day-to-day administration and management of the Fund and staff and property;
- (b) be the custodian of the Board's records;
- (c) be responsible for proposing and overseeing implementation of the Fund plans, programs and budgets upon the approval of the Board;
- (d) be responsible for preparation of the work plan of the Fund and determining performance indicators for its administrative units;
- (e) be responsible for proposing administrative and financial regulations and any of the Fund's internal regulations or those related to the Fund's activities;
- (f) be responsible for recruiting and supervising the staff of the Fund according to the powers granted thereupon and determined by the regulations;
- (g) be responsible for determining performance indicators according to the Fund strategy;
- (h) be responsible for contracting the custodian for its owned securities according to the requirements provided for in the legal system applied to same;
- (i) be responsible for following up on the implementation of the resolutions issued by the Board;
- (j) be responsible for overseeing the preparation of the Fund budget and submitting it to the Board;
- (k) be responsible for preparing the annual report comprising details of the Fund performance, financial position, business progress and plan for the coming fiscal year, and submitting it to the Board within ninety days from the end of the Fund fiscal year;
- (l) be responsible for issuing orders regarding the Fund expenses in accordance with the annual budget adopted by the Board;
- (m) be responsible for entering into all kinds of agreements and contracts pursuant to powers as may be prescribed by regulation;
- (n) be responsible to actively collaborate and maintain open communication with both the Board and the Advisory Committee of the Fund, ensuring their collective involvement and consultation on matters of strategic significance, in order to facilitate informed decision-making and promote the overall success and prosperity of the Fund; and
- (o) be responsible to perform such other functions as may be assigned by the Board:

Provided that an assignment of functions in terms of clause (o)-

- (i) may be made generally or specially and subject to such conditions, restrictions, reservations and exceptions as the Board may determine;
- (ii) may be revoked by the Board at any time; and

(iii) shall not preclude the Board itself from exercising such functions.

**24. Advisory committee.**—(1) An advisory committee shall be constituted by Supervisory Council consisting of seven leading and world-renowned experts in finance, economics, or other relevant fields.

- (2) Each advisory committee member shall serve for a term of five years and may be eligible for reappointment for one or more additional terms.
- (3) The first advisory committee shall act as the nomination committee for the duration of its term.
- (4) The advisory committee shall inform and counsel the Board or, at its direction, the CEO.
- (5) The advisory committee shall have no authority to exercise the powers of the Board in the management of the Fund.
- (6) The advisory committee may give suggestion regarding annual business and investment plan to the Board for consideration and implementation.
- (7) Advice or guidance provided by the advisory committee shall be recorded in writing.
- (8) Where the Board, or any individual director of the Board, deviates from the advisory committee's advice or guidance, such deviation shall be recorded in the annual report of the Fund.

**25. Investment managers.**—(1) The Board shall, in the manner as prescribed by regulation and through a competitive and transparent process, appoint such number, as are necessary, of fit and proper persons with the requisite qualifications, skills, competencies and experience to be investment managers.

(2) When appointing an investment manager, the Board may have regard to the following considerations among other relevant factors, namely:—

- (a) the relative qualifications and experience of the person competing to be appointed as investment manager;
- (b) the expertise of a person competing to be appointed as an investment manager in the area of investment concerned; and
- (c) the professional record of a person competing to be appointed as an investment manager in controlling operational and financial risk with respect to assets which that person has managed or is managing in the capacity of investment manager:

Provided that subject to the approval of the Board, the functions of investment manager may be assigned to a person other than the employee of the Fund, having valid licence for such activity from any financial services regulator.

## PART IV

### OPERATIONS

**26. Establishment of Sub-Funds.**— (1) The Fund, with the approval of the Board, may establish one or more sub-Funds.

(2) A Sub-Fund shall have an independent financial capacity and capital. From the date of publication of its establishment in the official Gazette by the Board, the Sub-Fund may acquire legal personality for the purpose of acquiring and holding any assets, property, rights and obligations.

(3) The Fund, subject to approval of the Board, may transfer any asset of the Fund to any investment vehicle that may take the form of a sub-fund of the Fund or any other legal entity or trusts.

(4) The Fund may accept equity and debt investment, in any manner, from other investors in sub-funds or legal entities or trust owned or managed by the Fund.

**27. Holding and investment of the Fund.**—(1)The Fund must be invested in conformity with the investment mandate and in whatever other way not inconsistent with the investment mandate that the Board considers most appropriate to enable it to achieve the Fund's objectives.

(2) At least twice a year, the Board shall review the size of the Fund and the manner in which the money held in the Fund is invested, considering the Fund's current and potential liabilities, and in the light of that review, the Board may make any necessary adjustments in the holding of the Fund.

**28. Annual investment plan and budget of the Fund.** —On or before such date prior to the beginning of the financial year, the Board shall approve—

- (a) a budget showing the expenditure which the Fund proposes to incur during that financial year for the purposes of section 6; and
- (b) a written investment plan in accordance with the investment mandate approved by the Supervisory Council and shall include—
  - (i) indications of the types of investments in which the Fund can be invested and the selection criteria for investments within those classes;
  - (ii) indications relating to the management of credit, liquidity, operational, currency, market and other risks;
  - (iii) indications on prohibited or restricted investments or any investment constraints or limits; and
  - (iv) information on the acceptable balance between risk and return in the overall Fund's portfolio.

**29. Establishment and operation of general reserve.** — (1) The Fund shall establish a general reserve to which it shall appropriate at least fifty percent from surplus of income over expenditure of the Fund at the end of its financial year.

(2) The Board may, in its sole discretion, decide to appropriate a higher amount from surplus to the general reserve in any given financial year.

(3) If in any financial year, the income of the Fund together with any surplus income brought forward from a previous financial year, is insufficient to enable the Fund to meet the charges and to make the provisions required under sub-section (1), the deficiency shall be met from the general reserve.

**30. Payment of dividends to the Federal Government.** —Where in a financial year the revenues accruing to the Fund are more than sufficient—

- (a) to meet the expenditure of the Fund in that year;
- (b) to meet the expenditure and investments required to be made by the Fund in compliance with its investment mandate; and
- (c) to enable the Fund to make appropriations to its general reserve in terms of section 29,

the Fund may pay out of the surplus such dividends to the Federal Government through Ministry of Finance as the Board may determine from time to time.

**31. Prohibition against using the Fund assets as collateral.** —(1) The assets of the Fund shall not be used—

- (a) as collateral for debts, guarantees, commitments or other liabilities of any other person or entity, whether public or private; or
- (b) to provide borrowing to the Federal Government.

(2) The Fund may use its assets as collateral in any investments under consideration, subject to the prior approval of the investment committee and the investment committee must determine, as part of its approval, that the use of such assets as collateral is beneficial to the investment of the Fund.

(3) Any contract, agreement or arrangement, to the extent that it purports to encumber the assets referred to in sub-section (1), whether by way of guarantee, security, mortgage or any other form of encumbrance, shall be null and void.

**32. Public private partnership.** —In pursuance of Fund's objectives, the Supervisory Council may, on its own initiative or at the request of the Federal Government, invest any part of assets of the Fund for the purpose of infrastructure development as the private partner with the Government under the Public Private Partnership Authority Act 2017 (VIII of 2017).

## PART V MISCELLANEOUS

**33. Internal audit function.** — (1) The Board shall establish an independent internal audit function in the Fund and the internal auditor shall report to the audit committee of the Board.

(2) Audit committee shall submit its report to the Board at least on quarterly basis.

**34. Books of accounts.** —(1) The Fund shall maintain proper accounts and other records to reflect true and fair view of Fund's state of affairs and prepare financial statements as per the relevant international financial reporting standards.

(2) The Fund shall also prepare separate financial statements of each sub-fund established under section 26 as per the relevant international financial reporting standards.

**35. Audit of accounts.**(1) The accounts of the Fund shall be audited by one or more independent auditors of international repute who shall be chartered accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), to be appointed by the Board.

(2) The Board, on the recommendation of the audit committee, shall appoint the external auditors for a period of five years.

(3) The Board may, on the recommendation of the audit committee, terminate the contract of the Fund's external auditors and any removal of an auditor along with the reasons of the same must be notified to the Supervisory Council.

(4) In case resignation is tendered by auditor then it shall communicate the reasons of its resignation to the Board.

(5) The external auditor shall report to the audit committee and the Board on key matters arising from the audit and in particular on material weaknesses in internal controls relating to the financial reporting process.

(6) The external auditors shall have full power to examine all books and accounts of the Fund and obtain all information about its transactions.

(7) The Auditor-General of Pakistan may, without prejudice to the audits conducted by the external auditors pursuant to sub-section (1), conduct audit of the accounts of the Fund and such audit shall not have concern with the merits of the policy decisions, investment and divestment decision including return thereof by the Fund.

(8) Any resigning external auditor must provide a letter to the Board explaining their reasons for resignation.

**36. Reports.**—(1) The Fund shall not later than sixty days after the end of first, second and third quarter submit to the Supervisory Council a quarterly report on its operations and activities during the preceding quarter.

(2) Quarterly reports under sub-section (1) shall include the performance of the Fund during the quarter and the value of the assets and where the assets are held at the end of each quarter.

(3) The Fund shall with the approval of the Board, within one hundred and twenty days of the end of each financial year, together with the annual report of the Fund, send a copy of the statement of accounts of the Fund certified by the auditors and a copy of the auditors' report to the Supervisory Council;

(4) The Fund's capital currency shall be Pakistani and any other currency as approved by the Board.

(5) In addition, the Fund—

- (a) shall submit to the Supervisory Council any other report, and provide any other information, that may be required in regard to the operations and activities of the Board; and
- (b) may submit to the Supervisory Council any other report that it considers desirable.

**37. Submission of annual report to the *Majlis-e-Shoora* (Parliament).** — The Supervisory Council, within thirty days of receipt of report from the Board as given in sub-section (3) of section 36, shall submit the report to the *Majlis-e-Shoora* (Parliament).

**38. Public disclosure.** —The Fund shall make a public disclosure policy for the Fund that adheres to the best international standards and practices and which includes but is not limited to the following:-

- (a) type and extent of information to be made public;
- (b) frequency and timeline of information intended for public dissemination;
- (c) medium to be used for dissemination of public information; and
- (d) In addition to information disclosed in accordance with this section, the Fund shall produce and publicly release an annual report that adheres to the best international standards and practices. The report shall contain all the information required to be disclosed under this Act and any other relevant information deemed appropriate by the Board.

**39. Disclosure of interest.**—(1) Every member of the Board and employee of the Fund shall disclose in writing any commercial, financial or other business interest which he or his spouse and dependent children may have, whether directly or indirectly, and which may have adverse implications for the Fund's interest.

(2) In performing their obligations, the persons under sub-section (1) shall be bound to place the Fund's interests before their own interests.

(3) Directors of the Board shall not participate in any discussion and shall restrain from voting on the issues in which their commercial, financial or other business interest, or those of their families, is involved.

**40. Financial year of Fund.**— The financial year of the Fund shall be the financial year of the Government of Pakistan starting from the first day of July and ending on the 30<sup>th</sup> day of June of the following year.

**41. Exemption from liability of the directors of Board, members, employees of the Fund and agents.** — (1) No suit, prosecutions or any other legal proceedings or action in damages shall lie against the Board, Advisory Committee and their members and employees of the Fund for anything done or omission in exercise or performance of any functions, power or duty conferred or imposed by or under this Act unless the act or omission is shown, to have been in bad faith.



(2) Directors of the Board, Advisory Committee and employees of the Fund shall not be sued in their personal capacity for the action bonafidely taken in their official capacity.

**42. Preservation of secrecy.** — (1) Except for the performance of his duties or the exercise of his functions or when lawfully required to do so by any court under the provisions of any law, no member of the Board or employee of the Fund shall disclose to any person any information relating to the affairs of the Board or Fund or any person which he has acquired in the performance of his functions or the exercise of his powers under this Act.

(2) Any person, who contravenes sub-section (1), shall be liable to disciplinary proceedings in accordance with the procedure as may be prescribed by regulations.

**43. Use of confidential information for personal gain.** — If any member of the Board, employee or agent of the Fund for personal gain makes use of any information which he has acquired in the performance of his functions under this Act and which relates to the affairs of the Fund, or of any entity in which the Fund has made any investment, or of any investor in the Fund, he shall be guilty of an offence and liable to fine not exceeding double the amount of his gain in addition to the disciplinary proceedings in accordance with the procedure prescribed in regulations:

**44. Protection of action taken in good faith.** — (1) No suit, prosecutions or any other legal proceedings or action in damages shall lie against the directors of the Board, Chairperson, investment managers and employees for anything done or omission in good faith in exercise or performance of any functions, power or duty conferred by or under this Act or any other law for time being in force, unless the act or omission is determined, to have been in bad faith.

(2) Chairperson, director of the Board, investment managers, employees, consultants and advisers shall not be sued in their personal capacity for the action bonafidely taken in their official capacity and in case of any such suit, the Fund shall bear expenses of the proceeding till its final conclusion.

(3) The Fund shall indemnify each Director of the Board, a former Director or employee of the Fund, or any person who acts or acted at the Fund's request as a Director or officer of an entity of which the Fund is or was a shareholder or in which the Fund has or had a financial interest against any liability incurred by the person in that capacity unless the liability relates to a failure to act honestly and in good faith.

**45. Power to make rules.** — The Supervisory Council may, by notification in the official Gazette, make rules to carry out the purposes of this Act.

**46. Power to make regulations.** — The Board may ~~and~~ by notification in the official Gazette, make regulations for all matters for which it is necessary or expedient for carrying out the purposes of this Act.

**47. Power to amend the Schedules.** — The Supervisory Council may, by notification in the official Gazette, amend the Schedules.

48. **Exemption from Ordinance, LII of 2000.** — The provisions of the Privatization Commission Ordinance, 2000 (LII of 2000) shall not be applicable on the acquisition, divestment and transfer of asset by the Fund.

49. **Exemption from Ordinance, LII of 2002.** — The Fund shall be exempt from the applicability of the Public Procurement Regulatory Authority Ordinance, 2002 (LII of 2000).

50. **Exemption from Act, VII of 2023.**— The Fund and the state-owned enterprise majority owned by the Fund shall be exempt from the applicability of the State-Owned Enterprises (Governance and Operations) Act, 2023 (VII of 2023).

51. **Act to override other laws.** — The provisions of this Act shall have effect notwithstanding anything inconsistent contained in any other law for the time being in force and any such law, rule or regulation shall, to the extent of any inconsistency, cease to have effect from the date this Act comes into force. .

52. **Power to remove difficulties.** — If any difficulty arises in giving effect to the provisions of this Act, the Federal Government may, by order published in the official Gazette, make such provisions not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient, for removing the difficulty.

**Schedule I**  
**Transfer Assets**  
(See section 9 (2))

The entire ownership of the Federal Government in the following assets/entities shall stand transferred to the Fund in terms of section 9 (2):

S. No.	NAME OF COMPANY	GOVERNMENT SHAREHOLDING (No. of shares)
1	OIL AND GAS DEVELOPMENT COMPANY LIMITED	3,657,079,419
2	PAKISTAN PETROLEUM LIMITED	1,952,181,498
3	NATIONAL BANK OF PAKISTAN	1,608,420,866
4	GOVERNMENT HOLDINGS (PRIVATE) LIMITED	2,088,512,092
5	PAKISTAN DEVELOPMENT FUND LIMITED	6,000,000,000
6	MARI PETROLEUM COMPANY LIMITED	24,532,720
7	NEELUM-JHELUM HYDRO-POWER COMPANY (PVT.) LIMITED	4,166,346,230

**Schedule II**  
**Valuation Methodologies**  
(see section 9 (3))

1. Discounted Cash Flow (DCF) and Discounted Dividend Model (for valuation of banks) methodologies and their variants.
2. Balance Sheet Methodologies and their variants.
3. Transaction Multiple Methodologies and their variants.
4. Asset Valuation Methodologies and their variants

## STATEMENT OF OBJECTIVES AND REASONS

This Bill intends to enact the law regarding establishment of state-owned Pakistan Sovereign Wealth Fund (the "Fund"). Internationally, the primary functions of sovereign wealth funds are to stabilize the country's economy through diversification and to generate wealth for future generations. The size and number of sovereign wealth funds continues to increase suggesting that these funds will remain a crucial part of the world economy in the future.

The Bill clearly states the objectives of the Fund; most important being the diversification and broadening the Pakistan's economy, attracting co investment from other investors for developmental projects in the country, creating investment models which promote economic growth and infrastructure development in Pakistan and increasing savings for future generations.

The Bill addresses all matters pertaining to establishment, operations and management of the Fund. In order to ensure proper control of the Fund, the Bill makes it mandatory that all major decisions including investment mandate are to be made with the approval of the Supervisory Council:

The general superintendence, direction, management of the affairs and business of the Fund and overall policy making in respect of its operations shall vest in the Board which may exercise all such powers and do all such acts, deeds and things which may be exercised or done to achieve the objectives of the Fund. The Board shall be constituted with the approval of the Supervisory Council. Moreover, for proper governance of the Fund, it is mandatory to form three independent committees i.e. investment, audit and risk management. The Board is also responsible to submit periodic reports for the review and consideration of the Supervisory Council.

The Bill provides adequate measures for preservation of secrecy of the Fund and misuse of confidential information. Further, the accounts of the Fund shall be audited by at least one auditors of international repute.

In order to accelerate the economic growth and fulfil the requirement of infrastructure development in the country there is a need to make this law for establishment of the Fund. It is hoped that the Fund would likely to decrease the dependence on Government's resources for capital formation for long term developmental projects.



(Senator Mohammad Ishaq Dar)  
Minister for Finance and Revenue

27-07-2023