

# EXCLUSIVE INTERVIEW



## Mr. Akif Saeed

Chairman, Securities and Exchange  
Commission of Pakistan (SECP)



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**ICMA: Please apprise about the current status of IFRS adoption in Pakistan?**

**Chairman SECP:** SECP is mandated to regulate the entire non-bank financial sector, including capital markets, specialized companies, corporate sector and insurance; whereas SBP, Pakistan's central bank, is mandated to regulate the banking sector including banks, development financial institutions and microfinance institutions. Pakistan has adopted all IFRS Accounting Standards issued by the IASB, except IFRS 1, First-time Adoption of International Financial Reporting Standards. In Pakistan, the date at which IFRS 17, Insurance Contracts becomes effective for companies engaged in insurance, takaful, re-insurance and re-takaful activities has been deferred until 1st January 2026. SECP and SBP have granted a few exemptions from and deferrals of adopted IFRS Accounting Standards.

The Companies Act, 2017 ('the Act') empowers SECP to adopt an IFRS Accounting Standard by notification in the Official Gazette of Pakistan based on the

recommendation of the Accounting Standard Board of ICAP. An IFRS Accounting Standard has the force of law after it has been notified. Therefore, the Act prescribes financial reporting frameworks for companies registered in Pakistan. Listed companies (with some industry specific exemptions), unlisted public interest companies, and certain public sector entities are required to prepare their financial statements in accordance with IFRS, as applicable and notified by SECP. Further, the Act allows companies the option to use a higher financial reporting framework. For example, a medium-sized company can prepare statutory financial statements in accordance with the IFRS Accounting Standards as adopted in Pakistan; and a small-sized company can prepare statutory financial statements in accordance with either the IFRS for SMEs Accounting Standard or IFRS Accounting Standards as adopted in Pakistan. Furthermore, all companies can also opt to prepare statutory financial statements in accordance with IFRS Accounting Standards as issued by the IASB.

**ICMA:** What role does the SECP play in making sure companies in Pakistan follow IFRS and how does the SECP monitor and enforce compliance with IFRS?

**Chairman SECP:** As mentioned above, SECP is empowered to notify accounting standards for all companies, including listed companies. Therefore, compliance with IFRS is mandatory for listed companies and other significant companies. In terms of compliance, SECP is entrusted with the supervision of its regulated sectors and enforcement of the laws and regulations under its ambit. SECP has a robust supervision and integrated enforcement mechanism in place whereby focused, risk-based review of financial statements is conducted by a dedicated team and any non-compliance with relevant statutes is pursued through an independent adjudication function, which is supported by the litigation function. Moreover, SECP also conducts inspections and investigations of companies.

In cases of non-compliance or discrepancies, companies are required to make necessary corrections and obtain guidance from SECP for rectifying issues. During the past three years, directions have been issued under section 474 of the Act for non-compliance of IAS/IFRS. Further, penal proceedings under section 510(2) of the Act read with SRO notifying the adoption of the relevant IFRS/IAS have been initiated by SECP in cases where the departure has a material effect but there is no indication of fraud, misappropriation and other financial irregularities. Moreover, investigation proceedings under section 257 or 258 of the Act were also initiated in cases where the departure had a material and pervasive effect resulting from suspected fraud, misappropriation or other financial irregularities. Instances of non-compliance with the provisions of IFRS in relation to recognition, measurement or disclosure of items of the financial statements are also identified while carrying out an examination of the financial statements of listed companies. Such non-compliances may result in material misstatements, both qualitative and quantitative term, in the financial statements. In making a professional judgement to evaluate the effect of a material misstatement, the guidelines provided under the ISA 320, Materiality in Planning and performing an Audit and Financial Reporting Framework, provide guidance on the concept of materiality in the context of the preparation and presentation of financial statements.

It is pertinent to mention that SECP oversees the interests of a large set of stakeholders. Therefore, transparency in financial statements is essential for the ability of an investor to see through a company's financial statements and the true results of its operations. Transparency requires that companies follow relevant statutes including IFRS in a manner that assures consistency and comparability. Through regular

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monitoring and review of financial statements, penal action and directives not only strengthen the financial reporting ecosystem but also foster investor confidence.

Most recently, sustainability standards, IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2, Climate related Disclosures have been issued by International Sustainability Standards Board (ISSB). We are actively involved in consultation and engagement with all key stakeholders including ICMA Pakistan regarding the mode and manner of adoption of these standards.

**ICMA:** What challenges do companies face when adopting IFRS, and how is the SECP helping them?

**Chairman SECP:** Adoption of IFRS presents several challenges such as the complexity of standards, need for capacity building, and financial implications of transitioning to new standards. SECP addresses these challenges by organizing training programs in collaboration with accounting bodies like ICAP and ICMAP, and offering transitional periods for the adoption of new standards. This approach is taken as the industry dynamics of Pakistan are quite different and its issues are also unique, for example circular debt which arises due to multiple factors ranging from capacity payments, line losses and tariff differentials etc. These efforts help demystify IFRS, provide practical insights and allow companies adequate time to adapt. In 2017, SECP steered the formation of Accounting Standards Board of the Institute of Chartered Accountants of Pakistan, with the purpose to ensure adoption of high-quality international reporting standards through an independent, transparent and effective process. Accounting Standards Board has presence of nominees of SECP, SBP, AGP, PSX, HEC, ICMAP and ICAP members. This ensures adoption after thorough due process comprising extensive consultation, post implementation reviews and adequate response to practical issues that may necessitate departure for fair presentation, in line with the IFRS.

**ICMA: What support and resources do the SECP offer to help companies comply with IFRS?**

**Chairman SECP:** To facilitate compliance with IFRS, SECP provides comprehensive guidelines, technical assistance, and regular updates to clarify requirements and facilitate implementation. SECP also monitors compliance through reviews and inspections, providing feedback to improve adherence and accuracy in financial reporting. Further, SECP collaborates with accounting bodies like ICMAP and ICAP for capacity building of companies and professionals which include organizing extensive training programs and workshops tailored to the needs of accounting professionals, covering various aspects, from basic principles to complex applications of IFRS, ensuring that participants are well-equipped to implement the standards effectively.

**ICMA: How has IFRS adoption improved the quality and transparency of financial reporting in Pakistan?**

**Chairman SECP:** The adoption of IFRS has significantly enhanced the quality and transparency of financial reporting in Pakistan. By adhering to internationally recognized standards, companies provide financial statements that are more reliable, consistent, and comparable. This improvement fosters greater investor confidence and facilitates better decision-making. The auditor plays a significant role in ensuring that statements present a true and fair view. It is pertinent to mention that institutes including ICMAP have played a pivotal role in nurturing the highest standards of ethics and making significant contributions to the enhancement of professional excellence.

You may be aware that the IOSCO principles are the key global regulatory standards that benchmark the regulatory framework, practices and procedures implemented by regulators, self-regulatory organizations and market intermediaries in any jurisdiction. Earlier in 2015, IOSCO's assessment committee completed a detailed assessment of the depth and breadth of Pakistan's implementation of the IOSCO principles. The 2015 country review report identified the country's progress in meeting international regulatory standards and assessed Pakistan to be compliant with 62% of IOSCO's 37 principles. A follow-up review of Pakistan's implementation of IOSCO objectives and principles was conducted in 2018 which enhanced Pakistan's compliance level with IOSCO principles to 83%. Additionally, it was concluded that the legislative and regulatory reforms cover a wide range of issues in the regulation of capital markets, including enhancing the statutory powers of the SECP, changing the Companies Act in Pakistan and introducing changes designed to ensure independent oversight of the audit profession. Additionally, SECP has commenced an internal self-assessment of the implementation of IOSCO principles. This process aims to identify key areas for further improvement, which will be addressed in a more comprehensive manner.

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Further, World Bank's report on the Observance of Standards and Codes Accounting and Auditing (ROSC A&A) assesses financial reporting and auditing practices in participating countries. An assessment of financial reporting, auditing requirements and practices within the corporate sector in Pakistan, including IFRS and ISA was conducted in 2018. It was concluded that SECP has made a significant effort to achieve substantial alignment with IFRS Compliance which will enhance ease of comparability and transparency in disclosures.

Holistically, the collaboration between SECP and other stakeholders in promoting the capacity building of professionals in companies as well as within SECP has strengthened the overall financial reporting and enforcement ecosystem which will help attract foreign investment and integrate Pakistan's financial markets with the global economy, over time.

**ICMA: What are the SECP's future plans to enhance IFRS adoption and compliance in Pakistan?**

**Chairman SECP:** SECP is committed to continuously increasing IFRS adoption and compliance in Pakistan. As such, it aims to strengthen monitoring mechanisms through regular reviews and audits and increase collaborative opportunities with international standard-setting bodies, professional associations, and industry stakeholders in order to stay aligned with global best practices which will facilitate smoother adoption of new IFRS standards.



These efforts are bolstered by expanding training programs and workshops in partnership with accounting bodies to reach more accounting professionals, developing comprehensive guidelines for complex IFRS standards, and improving monitoring and enforcement through advanced technologies and data analytics to identify and address compliance issues more effectively. These initiatives will help in maintaining high standards of financial reporting and transparency in Pakistan.

Moreover, SECP has granted few exemptions from or deferrals to the adopted IFRS Accounting Standards that are continuously monitored, with grandfathered departures phased out over time. For other cases, SECP is collaborating with the ASB to ensure full compliance.

**ICMA: How does Pakistan's IFRS adoption compare to other countries in the region and worldwide?**

**Chairman SECP:** Pakistan's adoption of IFRS is comparable to many countries in the region and around the world, positioning it on par with several developed and developing economies. SECP's proactive approach, which includes collaboration with relevant accounting bodies, ensures that we stay updated with international developments in IFRS. This alignment enhances the credibility of our financial markets and facilitates greater integration with the global economy.

Pakistan has adopted all effective IFRS Accounting Standards, except IFRS 1 First-time Adoption of International Financial Reporting Standards for all listed companies and public interest entities, similar to countries like Bangladesh and Sri Lanka in the region. Globally, its adoption is comparable to the European Union and Australia, which also fully implement IFRS. This contrasts with India, which uses IFRS-converged standards (Ind AS), and the United States, which uses GAAP instead of IFRS. However, continuous improvement remains a priority for further enhancing IFRS adoption and compliance.

**ICMA: How will IFRS 17 improve transparency and consistency in financial reporting for the insurance sector?**

**Chairman SECP:** As the first truly global standard for insurance, IFRS-17 provides a unified accounting model for all insurance contracts across IFRS jurisdictions. This standardized approach for recognition and measurement of insurance contracts enhances transparency and consistency of financial reporting, making it easier for stakeholders to comprehend and compare financial statements across different insurance companies. With the uniform enhanced disclosure requirements related to risk margins, assumptions, contractual service margin, sensitivity analyses and the impact of changes in estimates or discount rates, the standard will not only enable the investors and analysts but also the regulator, to better understand

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performance, financial position and risks associated with insurance contracts.

**ICMA: What message would you like to send to companies, auditors, and investors about the importance of IFRS compliance?**

**Chairman SECP:** I believe in a consultative approach while implementing new standards and legislation. I, therefore urge all financial reporting stakeholders i.e. companies, auditors and investors to actively participate in pre-as well as post implementation reviews of the IFRS carried out by international or local regulatory bodies so that they stay abreast of latest developments. Specifically, in the context of sustainability reporting, everyone has a role to play. The requirement for sustainability related information and disclosures has emanated from investors' demands and it should be a top priority for everyone. I call for greater engagement on the topic by all stakeholders.

Moreover, given the quantum of information packed within the corporate reports, it is about time that digital form of financial reporting is implemented as is being done globally. I urge all stakeholders in the financial reporting supply chain to harness their resources towards digital eco system.

I would also like to emphasize that the IFRS compliance has a critical role with respect to companies, auditors and investors. For companies, adhering to IFRS ensures that your financial statements are transparent, reliable, and comparable, which is essential for gaining investor confidence and attracting investment. Auditors play a vital role in ensuring compliance and maintaining the integrity of financial reporting through their diligence. IFRS compliance provides investors with assurance that they can rely on the financial information presented to them. SECP, in collaboration with relevant accounting bodies, is dedicated to supporting all stakeholders in achieving and maintaining high standards of financial reporting. Together, we can ensure that Pakistan's financial markets remain robust, transparent, and competitive on the global stage.

*The Editorial Board thanks Mr. Akif Saeed, Chairman, Securities and Exchange Commission of Pakistan (SECP) for sparing from his precious time to give exclusive interview for Chartered Management Accountant Journal.*