SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Fund Management Department

No. SCD/CIRCULAR/ 401 /2026 July 24, 2026

Circular No. 18 of 2026

MASTER CIRCULAR

Subject: Master Circular for Mutual Funds/Collective Investment Schemes/Investment Advisory Services

In exercise of the powers conferred under section 282B (3) of the Companies Ordinance, 1984, the Commission in order to facilitate and create an enabling environment for the Asset Management Companies (AMCs)/Investment Advisor (IAs) and to ensure compliance of statutory / regulatory requirements pertaining to Mutual Funds/Collective Investment Schemes/Investment Advisory Services, issues this Master Circular containing consolidated circulars issued up to June 30, 2026 on the subject matter.

This Master Circular supersede the previous Master Circular No. 18 of 2024 dated October 10, 2024.

(Imtiaz Haider)
Commissioner (SCD)

MASTER CIRCULAR

MUTUAL FUNDS/COLLECTIVE INVESTMENT SCHEMES/ INVESTMENT ADVISORY SERVICES

Specialized Companies Division

Disclaimer:

This Master Circular is a compilation/collection of all the existing/applicable Circulars and Directions issued by the Commission in relation to Specialized Companies Division of Securities and Exchange Commission of Pakistan from time to time for regulation of Collective Investment Schemes/Mutual Funds/Investment Advisory Services. This document includes all requirements stipulated through all circulars issued from January 06, 2009 up to June 30, 2026 which are already in force unless otherwise revised or repealed by the Commission.

In case of any inconsistency between the Master circular and the applicable circular, the contents of the relevant circular shall prevail.

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CHAPTER 1
DIGITIZATION

1.1 Regulatory Framework for Account Opening by Asset Management Companies (AMCs)[1]

1.1.1 Following is the simplified criteria of account opening for Pakistani Individual Customers and/or Pakistan Origin Card (POC) holders: -

<table>
<tr><td>1.</td><td>Eligible Customers</td><td>Pakistani Individuals having valid identification documents (CNIC/SNIC/NICOP/SNICOP/POC/Form-B) can open accounts either solely or jointly.</td></tr>
<tr><td>2.</td><td>Account based on investment limits</td><td>2.1 Customers shall be categorized into the following accounts subject to their investment and transaction limits:
<table>
<tr><th>Accounts</th><th>Maximum Annual Investment Limit[a] (Rupees)</th><th>Cumulative Investment Limit at any Point in Time[b] (Rupees)</th><th>Maximum Transaction Limit (Rupees)</th><th>Types of Collective Investment Schemes (CIS)/ Voluntary Pension System (VPS) to be offered to the Customer</th></tr>
<tr><td>Sehl Sarmaya kari[2]</td><td>NIL</td><td>1,000,000</td><td>300,000</td><td>Money Market and low risk Income Schemes/ Money Market and Debt-Sub fund of VPS</td></tr>
<tr><td>Sahulat Sarmaya kari[3]</td><td>NIL</td><td>3,000,000</td><td>1,000,000</td><td rowspan="2">[All CIS/VPS subject to Customer Risk Profiling i.e. Suitability Assessment (optional for Money Market and low risk income Schemes)][4]</td></tr>
<tr><td>Sarmaya kari</td><td>No Limit</td><td>No Limit</td><td>Any</td></tr>
</table>
Note: Transaction limits are treated separately for both investment/ contribution and redemption/ withdrawal.
(a) Maximum Annual Investment Limit means the investment inflows in an account during last one year, starting from date of account opening.
(b) Cumulative investment limit means net investment inflow in an account starting from date of account opening to any point in time.

2.2 [Sehl accounts may be opened to promote micro-savings by onboarding Customers of Branchless Banking (BB)/Electronic Money Institutions (EMI) and Scheduled banks only][5].
2.3 BB/ EMI Accounts shall be opened digitally as Sehl account and may be graduated to any account subject to fulfilment of documents and verification requirements that commensurate with respective account.</td></tr>
</table>

[1] Replaced by SECP Circular No. 26 of 2021 dated October 07, 2021.
[2] Limits revised vide SECP Circular No. 08 of 2026 dated May 12, 2026.
[3] Limits revised vide SECP Circular No. 08 of 2026 dated May 12, 2026.
[4] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.
[5] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.

<table>
<tr><td></td><td></td><td>2.4 Accounts may be opened for minors having Form-B/ Juvenile card/ Child Registration Certificate subject to the condition that guardian of minor fulfills account-based requirements. [
2.5 AMCs shall ensure that the investment and transaction limits against each CNIC are in compliance with the respective account limits.][6]</td></tr>
<tr><td>3.</td><td>Minimum Customer information / personal profile required by AMCs</td><td>3.1 The AMC shall obtain available information for Sehl accounts to ensure its compliance with applicable regulatory frameworks from the platform through which customer is being onboarded.
3.2 The customer may access the AMC/Pension Fund Manager (for Physical Account) and/or online portal (website, mobile app or any third-party application) and provide the following minimum information for all Accounts except Sehl Account:

Basic Details for Sahulat Sarmayakari & Sarmayakari Accounts
<table>
<tr><td>i. Name as per Identification Document.</td><td>ii. Identification Document Number with copy/ scanned copy / legible image.</td></tr>
<tr><td>iii. Mother's maiden name/ Generate T-PIN with the Customer.</td><td>iv. Contact Details:
a. Mobile Number (Mandatory)
b. Landline (Optional)</td></tr>
<tr><td>v. Source(s) of income/funds.</td><td>vi. Occupation</td></tr>
<tr><td>vii. Bank Account IBAN Number/ E-Wallet Mobile Account Number.</td><td>viii. Residential Status along with existing residential and mailing address.</td></tr>
<tr><td>ix. Signatures for physical accounts only.</td><td>x. E-mail (optional).</td></tr>
<tr><td>xi. [Next of Kin details: Name and Mobile Number/ Emergency Contact Number (optional).][7]</td><td>xii. All applicable undertakings and declarations including ultimate beneficial owner declaration.</td></tr>
<tr><td>xiii. [Disclosure related to PEP/PEP Assessment by AMC.][8]</td><td>xiv. Place of birth</td></tr>
</table>
* AMCs are expected to fetch the remaining mandatory information including father /spouse name, date of issuance and expiry of identification document, etc. through verisys and copy of identification document.

3.3 Following additional information shall be obtained from Sarmayakari account holders:
i. [Education (Optional);][9]
ii. Annual Income;
iii. Expected investment transactions in a year (Rupees) and expected investment per transaction (Rupees); and
iv. Declaration regarding refusal of account by any Financial Institution in Pakistan or abroad.</td></tr>
<tr><td>4.</td><td>Minimum Documents</td><td>4.1 [For online opening of Sehl account, the AMC [may][10] ensure compliance with applicable regulatory framework in respect of</td></tr>
</table>

[6] Added by SECP Circular No. 32 of 2021 dated December 08, 2021.
[7] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.
[8] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.
[9] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.
[10] Replaced by SECP Circular No. 9 of 2022 dated September 26, 2022.

	required by AMCs	obtaining documentation from the platform through which customer is being onboarded.][11] [If scanned copy of customer's identification document is not obtained through the onboarding platform, AMC shall itself conduct NADRA verification of the customer being onboarded.][12] 4.2 For online account opening, no document other than scanned copy/ legible image of identification document is required in respect of Sahulat Sarmayakari Accounts. 4.3 An AMC shall obtain the following minimum documents for Sarmayakari Accounts: i. Proof of source(s) of income/ funds, as stipulated in Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2020 ii. For online account opening, digital/ online signature, customer may provide picture/ scanned copy of his/her signature on blank paper — OR - an AMC may obtain signature on screen through mobile application - OR - generate OTP for verification of customer identity; and iii. All other relevant documents /information under AML/CFT Regulatory Framework including but not limited to KYC information as the AMC considers necessary to fulfill its customer due diligence procedures. AMCs are however encouraged to take Live photo of the customer, captured through digital channels, for all accounts.
5.	Verification by AMCs and Account Opening	5.1 The AMCs shall carry out following minimum due diligence procedures for opening of all Accounts: i. Verification of the Customer identity from NADRA; ii. Screening of the Customer against applicable sanctions regimes (UNSC, NACTA, etc.); and iii. In case of online account opening, verification of contact details/ identity through One Time PIN (OTP) on the designated mobile number and/or email address of the Customer, as the case may be. Provided that requirement under 5.1 (iii) shall not be applicable in case of Sehl accounts, opened through BB/ EMI service providers. 5.2 For Sarmayakari Accounts, in case of online accounts, the AMCs shall carry out following additional due diligence procedures:

[11] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.
[12] Added by SECP Circular No. 9 of 2022 dated September 26, 2022.

i. IBAN/ E-Wallet Mobile Account Number title verification through I-link title fetch service or IBAN/E-Wallet mobile account number and CNIC Pairing; and

ii. Any of the following verifications, as applicable:

(A) if mobile number of the customer is in his own name, then the identity document and mobile number pairing through Pakistan Mobile Network Database ("PMD") OR any one of (B) i or (B) ii below:

(B) if the mobile number is not registered in the name of the Customer, then either of the following:

i. Digital Verification to conduct online face-to-face interaction on real-time basis through any virtual meeting application (WhatsApp, Skype, etc.) for authentication of the customer and original identification document.

OR

ii. Digital Verification of customer's photograph/selfie (live photograph of the customer taken during the account opening process) with the photograph on his/her identification document.

Provided that:

a. in case where mobile number registered in the name of close family member is provided then an undertaking shall be obtained from the Customer that he/she has been authorized by the mobile number owner to use his/her mobile number for account opening.

b. in case where mobile number provided by employer is used, customer shall provide the bill of service provider and a letter from employer stating that the said mobile number is provided by employer to its employee.

c. in case where international mobile number is used, the Customers shall provide the bill of service provider as an evidence.

d. [the requirements prescribed under clause 5.2(ii) are not applicable in case identity verification has already been conducted through NADRA's multi-biometric regime, including mandatory facial recognition. However, all other requirements under the applicable regulatory framework shall continue to apply.][13]

Explanation: "For the purpose of this Circular, the term "close family member" shall include spouse, dependent parents and dependent children only."

For accounts opening physically, the AMCs shall conduct face-to-face interaction with Customers.

[13] SECP's Circular No. 08 of 2026 dated May 12, 2026.

		5.3 The AMC shall proceed with opening of account after the customer has successfully accessed the portal using the OTP. Account may be opened after due-diligence checks and satisfactory completion of the requirements as applicable on each Account. The opening of Sehl account shall require transfer of customer data from the platform through which customer is being onboarded while opening of Sahulat Sarmayakari accounts shall be subject to compliance with applicable legal and regulatory requirements on low risk accounts while Sarmayakari accounts shall be opened once all applicable legal and regulatory requirements for full/ normal account are complied with. Further, a customer will not be able to redeem funds from account until all required verifications are completed for that account, subject to the provisions of NBFC & NE Regulations, 2008 and applicable regulatory framework. 5.4 Digital Verification to conduct online face-to-face interaction on real-time basis or digital Verification of customer's photograph/selfie shall be mandatory at all types of account opened of all high-risk customers requiring Enhanced Due Diligence (EDD) in line with AML/CFT Regulations.
6.	Customer Facilitation	6.1 AMCs shall develop SOPs for: i. Information and documents to be collected through website/ mobile App; and ii. Turnaround time (TAT) for decision to open or decline account is maximum three (3) working days from the time of upload of all information and documents. In case of any discrepancy in information or document or where additional documents are required, an AMC would revert back to the Customer within maximum three (3) working days. 6.2 AMCs shall ensure customer care services through call center and are encouraged to deploy chatbox and chatbots for customer facilitation. 6.3 AMCs are encouraged to make illustrative demos on the digital onboarding process in English and local languages for guidance of customer and to make such demos available on their onboarding platforms. 6.4 AMCs shall continuously monitor feedback, complaints and queries received regarding their digital onboarding platforms, etc. and shall define TATs and escalation matrix to resolve/ address the same.
7.	[Deleted][14]	
8.	Additional Measures/ Operational measures by AMCs	8.1 AMCs shall develop a comprehensive policy, duly approved, for digital onboarding of customers on the basis of minimum set of parameters listed under this framework. 8.2 AMCs should ensure data/ privacy protection, safety and security of information/ documents through reliable IT infrastructure, policies and procedures.

[14] Deleted vide SECP Circular No. 9 of 2022 dated September 26, 2022.

		8.3 AMCs shall record the real-time online face-to-face interaction call with the customer while carrying out KYC process for digital opening of account. 8.4 AMCs should ensure to deploy necessary technical infrastructure and systems while establishing business relationship through e-KYC to comply with AML/CFT regime of the country. 8.5 After opening of account, as part of ongoing monitoring and customer due diligence, AMCs may seek additional information from customers based on their ongoing internal risk assessment and compliance framework. 8.6 To eliminate the risks of impersonation of the customer or identity theft, the AMC should take appropriate security measures. 8.7 The AMCs shall take an undertaking from the investors (only new) at the time of investment that "*Investor is fully informed and understand that investment in units of Mutual Fund/ CIS are not bank deposit, not guaranteed and not issued by any person. Shareholders of AMCs are not responsible for any loss to investor resulting from the operations of any CIS launched/ to be launched by AMC unless otherwise mentioned.* " 8.8 AMCs are encouraged to utilize social media messages applications for digital account opening. 8.9 AMCs are encouraged to collect geo-location coordinates of digital gadgets through which, customer has requested for digital onboarding. 8.10 AMCs may opt to verify two particulars related to the customer from NADRA that are not available on his/ her identification document but have been provided by the customer during account opening process. 8.11 AMCs are encouraged to utilize artificial intelligence for facial recognition, fraud detection and liveness detection to ensure integrity of the digital onboarding process as well as the information/ documents furnished by customers. 8.12 AMCs shall ensure that no data is stored on the devices used to collect customer information during the digital account opening process. The data must be kept in encrypted form and AMCs shall ensure real-time transfer of data from mobile devices/ websites/ third-party applications, etc. to AMCs systems. 8.13 AMCs may share customers' KYC related information with any SECP/ SBP regulated entity in compliance with applicable laws, rules, and regulations, after obtaining customer consent.
9.		9.1 Only Money Market and/ or low risk Income Schemes/ Money Market and Debt Sub-Fund of VPS shall be offered to Sehl Accounts; 9.2 All types of CIS/ VPS may be offered to Sahulat Sarmayakari and Sarmayakari Accounts subject to the minimum investment limits as per the Constitutive Document of the scheme and compliance with disclosure, disclaimer, risk profiling, risk categorization and other regulatory requirements. [Provided that Customer Risk Profiling i.e., Suitability Assessment is optional for investors of Money Market and low risk Income Funds.][15]

[15] Replaced by SECP Circular No. 32 of 2021 dated December 08, 2021.

1.1.2 AMCs shall at all times comply with all provision of AML Act, 2010 and rules, regulations and directives issued thereunder including SECP (AML/CFT) Regulations, 2020 from time to time and Customer Due Diligence requirements prescribed under applicable regulatory framework.

1.1.3 Customers of BB Accounts / EMI shall invest only through their BB Account/ E-Wallet Account and can redeem either through the BB Account or E-Wallet or online bank account of the customer or through debit card or IBFT facility or bill payments.

1.1.4 This Circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)* shall supersede Circular No.3 of 2021 dated February 11, 2021, Circular No.35 of 2020 dated December 30, 2020 and individual low risk customers account opening procedure prescribed vide Circular No.33 of 2016 dated November 04, 2016.

1.1.5 AMCs shall ensure that all such accounts opened under Circular No. 3 of 2021 dated February 11, 2021, Circular No. 35 of 2020 dated December 30, 2020 and Circular No. 33 of 2016 dated November 04, 2016 are compliant with the requirements of this Circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)* within six months from the date of issuance of this Circular. After the stipulated six months' period, all non-compliant accounts shall be suspended and no further investment or conversion transaction shall be allowed till the time account is compliant with the requirements prescribed in this Circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)*.

1.1.6 This circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)* applies to all accounts opened either directly with the AMCs or through any distribution platform.

1.1.7 For the purposes of this circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)*, AMCs also include Pension Fund Managers.

1.1.8 All AMCs shall ensure compliance within 90 days of the issuance of this Circular *(i.e. Circular No.26 of 2021 dated October 7, 2021)*.

1.1.9 [**Opening of Sehl Sarmayakari Account by AMCs**[16]**:** An AMC can directly open Sehl Sarmayakari Account (Sehl Account) through their own respective digital platforms or physical forms under a simplified due diligence for Pakistani Individual Customers subject to the following conditions:

I. The AMCs shall obtain and subsequently maintain record for the following information:

a. Required Documents:
    i. Valid Computerized National Identity Card (CNIC)

b. Basic Information:
    i. Full Name as per Valid Identification Document;
    ii. Valid Identification Document number;
    iii. Father/Spouse Name;
    iv. Date of Birth;
    v. Mother's Maiden Name; and
    vi. Date of Issuance and Expiry of the identification document.

c. Bank Account/IBAN Number/E-Wallet Mobile Account Number;

d. Contact Details:
    i. Mobile Number;
    ii. Landline (Optional);
    iii. Email Address; and

[16] SECP Circular No. 02 of 2026 dated January 21, 2026.

iv. Postal Address.

II. The AMCs, in case of Sehl Account through Digital Platform, shall verify contact details/identity through One Time Pin (OTP) on the designated mobile number and/or email address of the customer, as the case may be.

III. The ACMs shall verify the identity document through NADRA and conduct screening of the customer against applicable sanctions regimes (UNSC, NACTA, etc.).

IV. The AMCs shall ensure that the investment and transaction limits against each CNIC are in compliance with the Sehl Account limits as already specified.

V. Sehl Accounts may be graduated to any account subject to fulfilment of documents and verification requirements that commensurate with respective account.

VI. The AMCs shall adhere to all other requirements applicable to Sehl Account unless expressly modified or relaxed by the above-stipulated requirements.

VII. The AML/CFT Regulations issued by the Commission and changes therein shall be applied *mutatis mutandis* to the Sehl Account.]

1.1.10 [**Digital Onboarding of Investors through Regulated Financial Institutions or Third Parties Notified by the Commission via API Integration[17]:**

Asset Management Companies (AMCs) can onboard customers of Sehl [and Sahulat][18] Account digitally through regulated reporting entities via secure API integration, subject to the following conditions,-

i. AMCs may rely on verification of identity of the customer, conducted through NADRA Verisys and/or Biometric verification or any other mode as introduced by NADRA from time to time, by a Reporting Entity i.e. financial institutions such as Scheduled Banks, Microfinance Banks, and Electronic Money Institutions (EMIs) regulated by the State Bank of Pakistan or any other third party as notified by the Commission;

ii. AMCs shall obtain and retain document or information digitally or physically such as system logs, reference numbers, or confirmation records, evidencing that the customer identity verification has been carried out by such reporting entity, and also ensure that such records remain readily accessible for inspection by the Commission or any other competent authority;

iii. Upon receiving of such verification information, AMCs shall not be required to repeat verification of respective customer identity through NADRA;

iv. AMCs shall, on an ongoing basis, maintain and up-to-date contact and institutional details of the institution so relied upon, including details of designated focal person(s), and shall ensure that such information is readily available to the

[17] SECP Circular No. 03 of 2026 dated January 29, 2026.

[18] SECP Circular No. 08 of 2026 dated May 12, 2026.

Commission or competent authority, for verification, inspection, as and when required;

v. AMCs shall ensure that the customer data is received directly through encrypted and secured API integration without manual intervention, ensuring data integrity, confidentiality, and auditability;

vi. Reliance on verification conducted by a reporting entity, shall not absolve the AMC of its responsibility for compliance with other AML/CFT obligations, including generating CTR or STRs and shall carry out ongoing monitoring and risk-based due diligence;

vii. [AMCs shall obtain the additional information deemed necessary from customers at the time of opening ***Sahulat*** Accounts, in accordance with the existing requirements][19]and

viii. All other requirements under the applicable regulatory framework shall continue to apply.]

1.2 Guidelines for Mutual Fund Digital Distribution Platform[20]

1.2.1 These Guidelines are issued under section 282B (3) of the Companies Ordinance, 1984 and section 172 of the Securities Act, 2015 and set out principles and requirements applicable to mutual fund digital distribution platforms for Collective Investment Schemes (CIS) and or Voluntary Pension Funds (VPS) operated by licensed/ regulated entities/ individuals.

Note: A licensed/ regulated entity may operate different websites, platforms and other channels such as social media accounts for posting information about CIS/ VPS and transacting in them. The Securities and Exchange Commission of Pakistan (SECP) will take into account activities targeting investors conducted by a licensed/ regulated entity or individual via all channels in their totality while considering the licensed/ regulated entity's or individual's compliance with the requirements in these Guidelines.

1.2.2 These Guidelines apply to all licensed/ regulated entities/ individuals and prescribe the minimum requirements for conducting their licensed/ regulated activities relating to order execution, distribution and/or advisory services in respect of distribution of CIS/ VPS units through Online Platforms including digital advice or automated advice (i.e. robo-advice), here-in-after referred to as Digital Distributors in these guidelines. While performing their functions, Digital Distributors shall ensure adherence with the ethical selling guidelines issued by MUFAP as amended from time to time.

1.2.3 These Guidelines do not have the force of law and shall not be interpreted in a way which would override the provision of any law for the time being in force.

[19] SECP Circular No. 08 of 2026 dated May 12, 2026.
[20] SECP Circular No. 14 of 2021 dated May 28, 2021

1.2.4 Principles

1.2.4.1 Design

(a) Digital Distributor shall ensure that the digital distribution platform is appropriately designed and operated with due skill, care and diligence including compliance with the prevailing regulatory requirements and/or as specified by the Commission from time to time.

(b) Digital Distributor shall diligently act while selecting investment in any CIS/ VPS to be made available on the digital distribution platform and when posting any information and materials on the digital distribution platform. In this regard, the distributor shall ensure compliance with sub-regulation (c) of regulation 66A of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

(c) Any conflicts of interest shall be properly managed and minimized to ensure fair treatment with investors, e.g. digital distribution platforms shall not be designed in a way that reflect that the distributor intends to take advantage for itself or any of its related parties or group companies or employees at the expense of its clients or investor(s). Digital distributor shall develop proper APIs for transmitting transactional information to and from AMCs. Manual process for uploading/ downloading information shall only be used in cases where API Integration is not functioning.

(d) Platform must be skillfully & diligently designed to ensure adequate risk profiling/ suitability of the CIS/ VPS to the investor.

(e) All systems and processes underpinning the operation of the digital distribution platform are robust and properly maintained so that the risk of fraud, errors and omissions, interruptions or other operational or control failures is minimized and appropriately managed. and

(f) A digital distributor offering robo-advisory services shall effectively design and implement a compliance program that:

 (i) includes a robust testing program of the algorithmic code and the post implementation monitoring of its performance.
 (ii) addresses adherence to the regulatory obligations concerning automated financial advisory.

1.2.4.2 Information for Investors

(a) A Digital Distributor shall clearly and adequately disclose relevant material information on its platform that may include but not limited to:

 i. provision of up-to-date CIS/ VPS offering documents, fund manager report, NAV, link to NAV or any other relevant information to the investors enabling investors to make an informed decision by providing link of the relevant AMC's website.

 ii. timely provision of information to investors enabling them to appraise the position of their investments (e.g., in the event of any suspensions in the redemption of CIS/ VPS, any proposed merger or termination of CIS/ VPS or any other material information provided by an AMC). In this connection, a Digital Distributor shall put in place proper arrangements and take adequate measures to enable it to access and be informed of up-to-date information concerning all CIS/ VPS available on its Online Platform.

iii. Simple language shall be used in making any disclosures and presenting information to make them easy to read and understand. Design features such as pop-up boxes or tooltips, or other such means or media may be used for better understanding. and

iv. Contact details of the digital distributor for handling client enquiries and complaints.

(b) A digital distributor offering robo-advisory services shall ensure provision of:

i. accurate description of its services and its updation on a regular basis.
ii. sufficient information on the platform enabling investors to make an informed decision regarding employing its services.

This may include information on the limitations, risks and how key components of its services are generated (such as a description of how underlying algorithms operate, any limitations of the algorithm, how the portfolio rebalancing mechanism operates and associated risks). Robo-advisers shall also inform and explain to investors and clients the degree of human involvement that it provides.

1.2.4.3 Risk management

Digital Distributors shall ensure the reliability and security (including data protection and cybersecurity) of their platform. The measures to be taken by the distributors include but are not limited to the following:

(a) **System Reliability**

i. Digital Distributor shall ensure that its platform and all modifications therein are tested before deployment and regularly reviewed to ensure reliability.
ii. Digital Distributor shall, within 24 hours of occurrence, report any material service interruption or other significant issues related to its platform to the Commission. The report should also include the measures distributor plans to take to resolve the issue. and
iii. Digital distributor shall ensure 24/7 availability and access to the platform.

(b) **Contingencies**

i. Digital Distributor shall identify and manage the associated risks (including any unintended consequences) prudently with appropriate contingency arrangements in place. Such arrangements shall include a written contingency plan to cope with emergencies and disruptions related to the digital distribution platform. The contingency plan shall at least include:

- a suitable backup facility or alternative arrangements for order execution in the event of an emergency;

- arrangements to ensure business records, client and transaction databases, servers and supporting documentation are backed up in an off-line medium. Offsite storage is generally expected to be subject to proper security measures; and
- a plan for efficient dealing with investor and regulatory enquiries from SECP.

ii. Digital Distributor shall ensure that the contingency plan to deal with potential emergencies and disruptions is periodically tested and is viable and adequate.

iii. Digital Distributor, in the event of a material delay or failure of the platform, shall in a timely manner:

- ensure that the material delay or failure is rectified;
- inform investors about the causes or possible causes of the material delay or failure and how investor orders will be handled; and
- make good any loss caused to the investors due to delay or failure of the platform. However, the distributor shall not be responsible for losses due to circumstances beyond its control such as force majeure, failure or malfunctioning of hardware/software despite the best efforts of the distributor or the third party to which such function is delegated and virus or cyber-attack despite the fact that anti-virus and other reasonable measure were in place.

1.2.4.4 Governance, Capabilities and Resources

Digital Distributor shall not only ensure placement of robust governance arrangements for overseeing the operation of its platform but also the availability of adequate human, technology and financial resources to ensure that the operations of its platform are carried out properly. Digital Distributor shall establish and implement written internal policies and procedures on the operation of its platform to ensure that:

(a) at least one senior officer is made responsible for the overall management and supervision of the digital distribution platform;
(b) there is a formalized governance process with input from the dealing, information technology, risk and compliance functions;
(c) there are clearly identified reporting lines with supervisory and reporting responsibilities assigned to appropriate staff members; and
(d) there are managerial and supervisory controls designed to manage the risks associated with the use of the digital distribution platform.

A Digital Distributor shall conduct regular reviews to ensure that these internal policies and procedures are in line with regulatory developments and promptly rectify/ remove any deficiencies identified.

In operating its digital distribution platform, a Digital Distributor shall ensure that he has sufficient technology resources to safeguard data integrity, including confidential investor information, and meet current and projected operational needs (for example, in respect of system capacity).

1.2.4.5 Review and Monitoring

Appropriate reviews of all activities conducted on the Online Platform shall be performed by the distributors as part of their ongoing supervision and monitoring obligation. This includes, but is not limited to:

(a) Distributor shall conduct regular reviews at least on an annual basis and also ad-hoc reviews when required like in situation of any major market event. The reviews shall not only cover the conducted activities on the platform but will also assess its design and operation including the processes and outcomes of any client profiling, investment product selection and risk profiling, suitability assessment, as well as the reasonableness of any recommendation or advice generated by the algorithm used (including any recommended model portfolio) and any rebalancing conducted. It shall include sample checking and testing by a suitably qualified person.

(b) There shall also be policies and procedures to follow up on any review results and to implement any required enhancements.

(c) Where any function is outsourced to external service provider(s), the digital distribution platform shall exercise due skill, care and diligence in the selection, appointment and ongoing monitoring of the outsourced service provider(s) to ensure proper performance of the outsourced function.

(d) A digital distributor offering robo-advice services shall ensure regular monitoring and testing including periodic review of the robo-advisor algorithms used and shall, on an annual basis, arrange a third-party independent review to validate such algorithms.

1.2.4.6 Record Retention

(a) Digital Distributor shall maintain proper records relating to the platform, including but not limited to:

i. comprehensive documentation on the design of digital distribution platform, operational processes and risk management controls, including any testing, reviews, modifications, upgrades or rectifications of the platform and records of the applicable software versions. The documentation shall be retained for a period of not less than 10 years after the platform ceases to operate.

ii. proper audit trails of activities and transactions conducted on the digital distribution platform, including the processes and outcomes of any client profiling, investment product selection, risk profiling, suitability assessment, provision of product information, disclosure of warning statement, advice provided (if any), and incident reports for all material delays or failures of the platform. The audit trails and records shall be retained for a period of not less than 10 years or such longer period as may be required.

iii. audit trails and records relating to all suitability assessments (including trails and records demonstrating the transactions suitable) shall be retained for at least 10 years for CIS/ VPS.

(b) The Commission may:

i. require the digital distributor to provide access to and copies of the audit logs on all applications for units in the CIS/ VPS transmitted through its online facility;
ii. require the distributor to provide any other information, it requires; and
iii. require the digital distributer to maintain a record of the investors who exercised their cooling off right along with the relevant details of the CIS/ VPS in respect of which the right was exercised.

1.3 General Requirements

1.3.1 Conduct Requirements

(a) Digital distributors must comply with all applicable laws and regulations.

(b) Digital Distributor shall disclose the limited availability of investment products in cases where it provides services only for CIS/ VPS issued by it and/ or by its related companies.

(c) Digital Distributor or their related companies shall ensure compliance with the requirement of not taking advantage for itself or any of its related parties or group companies or employees at the expense of its clients or investor(s).

(d) Use of gifts in promoting a specific CIS/ VPS must be prohibited.

1.3.2 List of Online Providers

(a) AMCs are required to keep their websites updated with the details and addresses of the digital distribution platforms accepting investments in their CIS/ VPS.
(b) Any changes to the list and/ or address of digital distributors must be immediately updated on AMC's website.

1.3.3 Materials posted on Digital Distribution Platform

The Digital Distributors, while posting any advertisement, research report and other CIS/ VPS specific material on their Online Platforms, shall particularly note the following related requirements:

(a) the advertisements do not contain false, biased, misleading or deceptive information and are in accordance with Circular No.16 of 2014 dated July 3, 2014 issued by the Commission.
(b) conflicts of interests shall be taken into account for research reports. and
(c) exercise due skill, care and diligence in expressing any opinion.

1.3.4 Systems Security and Integrity

Adequate & appropriate systems and security measures must be in place to ensure reliability, availability, integrity, and confidentiality of the application or other related information or transactions transmitted via the facility, including without limitations, measures to ensure the following:

(a) Proper audit trails to track access, transaction, and changes made to investor data, including investor information like clients' name, address, account number, contact details and traffic data (date, time, size, duration, webpage visited and content of communication).

(b) System capacity, performance, and resilience.

(c) Back-up systems and procedures to cater for any possible outages, transmission delay, disruption, and system capacity problems.

(d) Confidentiality, protection and privacy of any personal and proprietary information transmitted by the client, subject to any requirement of law requiring disclosure of such information.

(e) Detection and prevention of unauthorized access to the system.

(f) Properly documented formalized policies & procedures pertaining to the system.

(g) Proper controls including access control, input output control and physical control. and

i. digital distributor shall obtain international certification w.r.t. information security and business continuity;

ii. digital distributor shall get Periodic Vulnerability Assessment and Penetration Testing (VAPT) of its system through third party assessment;

iii. the digital distribution platform provider must take timely remedial actions to rectify any breach of security or systems failure. Such a breach or failure may include the inability to access the electronic prospectus from the website of the platform. The remedial action must be reported to the Commission during the next business day of such action being taken; and

iv. digital distributors shall impart adequate training and education for employees that may include areas relating to initial and follow-up assessments of how digital tools perform, heightened sensitivity to conflicts of interest, etc.

1.4 Suitability Requirement

1.4.1 The investments through digital distribution platform are subject to the assessment of suitability requirements and risk categorization of CIS as specified by the Commission vide Circular No. 2 of 2020 dated February 2, 2020 and Circular No. 32 of 2020 dated October 22, 2020.

1.4.2 Digital distributors shall ensure availability of adequate Governance and supervision mechanism across customer profiling and asset allocation through portfolio selection, rebalancing, tax-loss harvesting, and trade execution, etc.

1.4.3 Distributor shall exercise its due diligence to ensure that the recommendation or solicitation for the client is suitable and in accordance with the available information of the investor. AMCs shall review the algorithms used by distributor and check the suitability analysis performed by the distributor on test check basis. However, the ultimate responsibility to ensure suitability rests with the AMC.

1.4.4 In determining the risk profile, digital distributor shall base its assessment on information about the investor obtained through risk profiling questionnaire process. The individual risk profile of an investor shall also be reviewed and updated regularly, where it deems appropriate. Digital distributor shall pay particular attention to the design of the questions and the underlying scoring mechanism that shall be properly designed to accurately reflect the personal circumstances of an investor. Digital distributor shall also have appropriate processes in place to periodically review its investor risk profiling methodology and mechanism.

1.4.5 In discharging the suitability requirement, digital distributors shall ensure:

(a) to act diligently and carefully in providing any advice and ensuring that its advice and recommendations are unbiased and are based on thorough analysis and after considering available alternatives (e.g. availability of any similar investment products which may be less costly);

(b) shall establish a proper mechanism to assess the suitability of investment products. The mechanism must be holistic to account for all relevant factors concerning the personal circumstances of the investor, including concentration risk based on the available information with the distributor; and

(c) availability of appropriate tools for assessing Investor concentration risk that is obtained through know-your-customer process of distributor and any already held investment portfolio.

1.4.6 A digital distributor offering robo-advisory services:

(a) shall ensure that the client profiling tools and/ or questionnaires are properly designed such that sufficient information is obtained to enable it to provide advice that is suitable based on the clients' personal circumstances;

(b) This will include designing the client profiling tools and/ or questionnaires such that clients are provided with the opportunity to provide additional explanatory and contextual information, where appropriate;

(c) shall have in place mechanisms to identify and seek to reconcile any inconsistencies in the information provided by the client e.g. the advisers can alert the client to such circumstances through pop-up boxes and can provide the client with an opportunity to change the information provided. The adviser may also be able to internally flag any inconsistent information for review and follow-up.

(d) if uses risk scoring questionnaires to risk profile clients and/ or to determine the advisory services to be provided to the clients, shall pay particular attention to the design of the questions and the underlying scoring mechanism such that they are properly designed to accurately reflect the personal circumstances of the client; and

(e) shall provide suitable advice to ensure that the investment advice is suitable and in the best interests of the clients.

1.5 Procedures for Issuance, Redemption, Switching, Transfer and Exercise of Cooling off Right

1.5.1 Submission of Application Forms and Confirmations

(a) It shall be mandatory for the investors to submit the following confirmations prior to submitting an electronic application form to the digital distribution platform:

i. That the investor has read the electronic offering document and fully understands its contents.

ii. That the investor has read and accepted the terms & conditions as set out by digital distribution platform.

iii. That the investor has allowed the digital distributor to disclose his/ her information to the entities involved in the CIS/ VPS as well as to the Commission.

(b) The investor, on submission of online application for investment in CIS/ VPS, must receive a confirmation receipt. The receipt must be downloadable into an electronic storage medium and/ or printable enabling the investor to preserve the confirmation for his or her own record. The digital distribution platform must provide clear and simple instructions for downloading and printing of the confirmation.

(c) Where there is a prescribed period for investment in specific CIS/ VPS or where the transactions of units in the scheme are suspended, appropriate steps or mechanisms must be put in place to reject any application forms that are submitted or monies paid after the close of the application period or during the suspension period.

(d) Where a supplementary offering document or trust deed is registered by the Commission for a CIS/ VPS for which online investment of CIS/ VPS was available, a notification informing the changes shall be sent to all investors of that CIS/ VPS.

(e) Online investment transaction shall be processed on the basis of the time and date of the investment order entered by the investor. NAV shall be allocated on the basis of respective cutoff timings of the fund and units will be issued after realization of subscription money.

1.5.2 Opening of Online Investment Account

The platform shall ensure clearly defined policies and procedures for the following:

(a) Clear and simple instructions on how an investor can open an online transaction account in line with the requirements prescribed by the Commission vide circular 35 of 2020 dated December 30, 2020 and circular 3 of 2021 dated February 11, 2021;

(b) Procedures to ensure that the “know your client” rule is complied with;

(c) Reliable authentication mechanism to ensure clients’ identity; and

(d) Compliance with applicable AML/CFT regulatory framework should be ensured.

1.5.3 **Redemption and Conversion of CIS/ VPS Units**

(a) Appropriate procedures and policies on online redemption and conversion by and payment to investors shall be clearly set out on the website of the digital distributor;

(b) The investor must receive a confirmation of receipt upon submission of the redemption or conversion application. The receipt must be downloadable into an electronic storage medium and/ or printable enabling the investor to preserve the confirmation for his or her own record. The digital distribution platform must provide clear and simple instructions for downloading and printing of the confirmation; and

(c) Where the platform provider does not intend to provide for online redemption and conversion of units in the CIS/ VPS, a notification informing clients of the procedures for redeeming and conversion of units in the scheme must be provided on the distributor's portal.

1.5.4 **Cooling-off Right**

(a) Same cooling-off rights shall be granted to investors investing in CIS/ VPS through digital distribution platform or through traditional modes.

(b) Appropriate steps or mechanisms must be place to allow clients to exercise the cooling-off right and to obtain refund of monies paid for their investment in CIS/ VPS. The procedures for exercising the cooling-off right and for the refund of monies paid must be provided.

(c) Investor must receive a confirmation upon exercising the cooling-off right. The conformation must be downloadable into an electronic storage medium and/ or printable enabling the investor to preserve the confirmation for his or her own record. The digital distribution platform must provide clear and simple instructions for downloading and printing of the confirmation.

(d) Where the digital distributor does not provide for online exercise of the cooling-off right, it shall inform the procedure on how this right can be exercised to its investors.

1.6 Complaint Management

The Digital Distributor shall develop following complaint management process for effective handling of related complaints. The said complaint management process of distributor shall be duly integrated with the complaint management system of AMCs or at least a mechanism shall be developed for regular MIS sharing and tracking between distributors and AMCs:

(a) Complaint Lodging

i. A system shall be developed whereby the investors can lodge their complaints through the following multiple channels.
ii. Call Centre – Investor shall be able to call at a 24/7 toll-free number of the platform during business hours.
iii. Email – Investor shall also be able to lodge compliant through email.

iv. Platform – Investor shall also be able to log his/ her complaint through a complaint form available at the digital distribution platform.
v. Every Complainant shall be given a unique Complaint Number for future tracking. and
vi. All necessary information of the complainant including nature of complaint shall be logged to facilitate its investigation and resolution

(b) Acknowledgment to complainant

i. Automated acknowledgement through email shall be sent to investor for registering complaints through any channel with Complaint Number.
ii. In case of delay in complaint resolution, customer shall accordingly be informed.

(c) Resolution of complaint

i. Complaint shall be forwarded to the concerned department along with a brief description of issue.
ii. The relevant departments will be responsible to resolve the complaint within defined time and keep the Customer Services Department updated on current status.
iii. After resolution of complaint formal communication will be made by customer services in a written form.
iv. Resolution Communication shall specify clearly that complaint has been resolved.

1.7 Pre-Qualification Requirements for Digital Asset Management Companies for seeking NOC from respective Trustees[21]

1.7.1 Scope and Applicability

These requirements are applicable to Digital AMCs as well as the AMCs which are utilizing Digital Platforms for provision of services to their investors/unitholders.

1.7.2 Prerequisites for Obtaining NOC for Digital Platforms

The Digital AMC shall adhere to the following requirements for provision of Digital Asset Management Services through digital platforms:

1.7.2.1 The Digital AMCs are encouraged to comply with the below listed standard guidelines as may be amended/improved/replaced from time to time:

a) Open Web Application Security Project (OWASP) Mobile Application Security Verification Standard;
b) OWASP Mobile Application Security Testing Guide; and
c) OWASP Web Application Security Testing.

1.7.2.2 The Digital AMCs providing DAMS or AMCs providing services through Digital Platforms shall ensure that adequate cybersecurity measures and controls are in place to ensure confidentiality, integrity and availability of the data and information. The controls shall include but not limited to:

a) Secure Access Management infrastructure ensuring:

[21] SECP Circular No. 22 of 2025 dated August 01, 2025.

i. Implementation of approved policies and procedures for secure access management are available;
ii. Policy of disabling user accounts of such employees who have left the organization in an immediate manner is effective;
iii. Separation of user accounts across technology environments e.g. separate accounts to be used in development, test and production environments;
iv. All IT administrative activities are performed using Privilege (Admin) Access Management Solution;
v. Minimum number of such Privilege (Admin) access user accounts with formal approval requirements and complete log of activity/access;
vi. Clearly defined and efficiently implemented Inventory of Privileged Accounts and review frequency;
vii. Access rights review document/policy for application is in place;
viii. Creation, modification of rights, revocation of rights are performed after approvals from line manager with a clear policy framework in place;
ix. Strong password policy is implemented which covers password complexity, minimum length, history and minimum age;
x. Access control requirements for information and information systems based on business needs and classification of information are defined considering the principle of least privilege access;
xi. Shared accounts are discouraged unless approved by the CTO/CISO for a documented business reason;
xii. Services accounts are configured to:
    - disable interactive logon; and
    - be monitored for inappropriate use.

xiii. Configure maximum number of failed attempts of authentication for user and service accounts, after which access to the accounts shall be blocked;
xiv. User access requests for third-party service suppliers shall be approved & validated subject to the condition that access is restricted to services supplied under contracts or agreements;
xv. User accounts for third-party service suppliers shall be disabled upon expiry or cessation of contract or agreement; and
xvi. Implementation of multi-factor authentication shall be ensured for registration/signup of users.

b) Perimeter and Network Security is effective to:

i. Maintain high level network diagram of mobile application environment indicating the location of network devices, app and database servers and other attached components;
ii. Ensure implementation of adequate security measures to protect against unauthorized access or attacks;
iii. Validate that inbound security policies are enabled for in scope application environment;
iv. Secure authentication mechanism is in placed to ensure that only Trusted Users are allowed to access the applications;
v. Logging and monitoring process on firewall are in place;
vi. Validate the details of Encryption mechanism, Transport Layer Security (TLS) version, Digital certificate on application portal;

vii. Prevent malware, such as viruses, spam, phishing attacks, denial-of-service attacks and other unauthorized access attempts, using specialized network security software and other appropriate prevention and detection resources, such as firewalls, intrusion detection systems and intrusion prevention systems;

viii. Regularly review all software associated with network perimeter breach prevention systems and applications and the rules for analyzing suspicious code are updated regularly to remain current with existing and unplanned threats; and

ix. A formal process is established and documented for identifying possible breaches in the network perimeter, capturing and containing the malicious code if possible, assessing the breach, determining the nature and impact of the breach, notifying management of the breach, minimizing the impact of the breach and documenting the steps taken when dealing with the incident. This process will apply to all network perimeters, whether internal, hybrid and/or public clouds.

c) Endpoint, Server and cloud security:

i. Versions and patches of all endpoints are updated till stable versions and secured;

ii. Ensure that software installation and upgradation rights on servers/instance is only limited to the Authorized Person;

iii. Software installation on endpoints are restricted and approved on a need-to-use basis;

iv. End point must be secured using well known end point security solution including Endpoint Detection and Response (EDR) & advanced threat detection capabilities; and

v. Implementation of Continuous Threat monitoring external service including digital risk to identify any security weakness at the internet exposed infrastructure for timely remediation.

d) Application level Security ensuring:

i. All the components required for the application such as webserver and other components are updated and running on latest stable versions;

ii. Web Application Firewall (WAF) are effectively implemented on customer facing interfaces;

iii. Details are maintained on the latest Vulnerability Assessment and Penetration Testing (VAPT) conducted at least on annual basis of digital platforms, in-scope system, IT Infrastructure and database;

iv. APIs are not using outdated Secure Sockets Layers (SSL)/Transport Layer Security (TLS) protocols;

v. Secure Software Development Life Cycle (SSDLC) process during each phase must be implemented which will include Static Application Security Testing (SAST) & Dynamic Application Security Testing (DAST) activities before promoting any release to production environment; and

vi. API security requirements must be considered including Weak authentication/authorization controls, misconfiguration, business logic abuse (credential stuffing, account takeover), Server-side request forgery (SSRF).

e) Data Security:

i. Data security policy and procedure are in place;

ii. Classification of data against pre-defined categories in light of the approved policy;

iii. Relevant documentation is maintained and reviewed at a defined frequency to ensure adherence and effective implementation;
iv. Appropriate access controls are established for accessing the data, including requiring authentication for access, which is not public;
v. Encrypt data at rest (including backups) and in transit use strong and non-obsolete cryptographic algorithms;
vi. Appropriate measures are undertaken to avoid accidental deletion or overwrite of data/information;
vii. Ensure that the separate channels are being used for storage and transmission of critical data; and
viii. Appropriate controls must be implemented for the prevention of data leakage incidents.

f) Incident surveillance and monitoring;
i. Ensure that incident management Policies and Procedures are in place for Incident Management and Reporting covering responsibilities for planning, detecting and responding to cyber security incidents, resources assigned to cyber security incident planning, detection and response activities including guidelines for triaging and responding to cyber security events and cyber security incidents;
ii. Ensure that the anomalies are detected and resolved in a timely manner;
iii. Ensure that incident management procedure is implemented and appropriate reporting matrix for such incidents is maintained;
iv. Incident response functions shall be implemented in application system, responses to any incident should be documented for record;
v. Ensure that cyber security incident response plan is exercised during regular intervals to ensure it remains fit for purpose; and
vi. Ensure that the potential risks and vulnerabilities are identified in a timely manner, which could impact business continuity.

g) Vulnerability Management:
i. Ensure that security patches or updates are being identified & applied in a timely manner to applications, operating systems, drivers and firmware. It is essential that all assets are regularly identified within the environment using an automated method of asset discovery via an asset discovery tool or a vulnerability scanner. Moreover, ensure reviewal and updating of the risk assessment.

h) Patch Management:
i. Log of patches deployed are documented;
ii. Formal process of approval is in place for patch testing, User Acceptance Testing (UAT) and migration to production;
iii. Approved patch management policies and procedures should be in place;
iv. Procedure for approval of tested patches should be defined. UATs of the patches should be in segregated environment; and
v. Validate that patches are applied on test system first before provisioning to live.

i) Logging and backups:
i. Validate that policies and procedures are approved and implemented for Backup and recovery of in-scope application

ii. Validate that appropriate logging with sufficient details is enabled at application, platform, database and operating system levels;

iii. Validate that system log files are protected against unauthorized modification through appropriate technical controls. Logs must be stored in a secure manner to ensure tamper-evidence. Administrative access to logs must be monitored, and any changes or access attempts shall be recorded and auditable;

iv. Frequency of backups should be defined in the system for both production and development and the same shall be documented in relevant policy;

v. Backups must be encrypted;

vi. Adopt the 3-2-1 rule for data storage i.e. have 3 copies of information (1 original and 2 backups), saved on 2 different media types, with 1 copy kept off site;

vii. Back-ups maintained must be kept immutable form. It would be more appropriate to consider air-gapped backup solution ensuring the availability of clean copy of back-up in case of a ransomware attack;

viii. Data restoration process should be in place in application system and documented; and

ix. Backup logs should be generated and verification of the backup restoration log should be in practice.

1.7.2.3 The Digital AMC shall avail cybercrime insurance policy to indemnify losses that may arise due to cyber-attack/cybercrime on their digital platforms.

1.7.2.4 The Digital AMCs shall ensure compliance with the additional requirements relating to the Smartphone Application, as provided in Annexure – A to this Circular *[i.e. SECP Circular No. 22 of 2025 dated August 01, 2025]*.

1.7.2.5 In case of a smart phone application, the Digital AMC at the time of launching of app shall provide license status along with NOC granted by the Trustees for respective App to Google Play Store and/or App Store. Proof for the same shall subsequently be provided to the Commission and maintained by the Digital AMC as record. The app on Google Play Store/App Store (Apple Inc.) shall only be hosted with the URL which is provided on SECP Approved Digital Platform List.

1.7.2.6 Data related to Personal Identifiable Information (PII) shall not be stored on any cloud infrastructure outside the jurisdiction of Pakistan.

Explanation: PII means any information relating to an identified or identifiable natural person who can be identified, directly or indirectly, in particular by reference to an identifier.

However, the global cloud infrastructure resources and computing services may be utilized, including but not limited to networks, servers, applications, and services such as on-demand self-service, broad network access, and resource pooling.

Furthermore, when utilizing software application services through global cloud infrastructure, Digital AMCs shall ensure the encryption or anonymization of customers' PII, preventing their identities from being readily inferred.

For purposes of clarification, the Digital AMCs shall store sensitive PII within Pakistan with one cloud provider, while it may employ another local or foreign cloud provider for specific software application services. These services may include, but are not limited to, Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Software as a Service (SaaS), Function as a Service (FaaS), Backup as a Service (BaaS), Disaster Recovery as a Service (DRaaS), or Security as a Service (SECaaS).

Data collected by Digital AMCs through Digital Platforms is subject to privacy of the investor/unitholder/user and shall be used only for activities related to registration and operations of an account by an individual with the respective Digital AMCs. A Digital AMC shall keep the data of the investor/unitholder/user strictly confidential, except in the following circumstances:

a) Disclosure of information with the specific written or recorded consent of investor/unitholder/user.
b) Release, submission or exchange of information with other financial institutions/licensed entities for transaction processing including Centralized KYC/AML/CFT screening activities.
c) Disclosure of information upon orders of a court of competent jurisdiction or any government office or agency authorized by law.
d) Disclosure to third party service providers solely for the purpose of assisting or rendering services to the Digital AMC in the administration and provision of its DAMS business; and
e) Disclosure to third parties such as insurance companies, solely for the purpose of insuring the investor/unitholder/user from fraud or unauthorized charges.

1.7.3 Compliance Reporting and Grievance Redressal Mechanism/Guidelines

1.7.3.1 The Digital AMC shall:

a. ensure compliance with the requirements as laid down under Circular No. 01 of 2010 dated January 15, 2010 related to Specialized Companies Return System (SCRS) or any other subsequent requirement as may be specified from time to time by the Commission;

b. conduct a self-assessment every six months to evaluate its compliance with the prevailing regulatory framework, including the specific requirements of this Circular, and must duly inform its BOD of the results;

c. prepare and submit a monthly report to the Commission, containing unitholders' data for each CIS under its management. The unitholders shall be categorized into two distinct classes, namely "corporate" and "retail. The report shall include, but not be limited to, the following information for each class of unitholders:
    i. Total number of unitholders in each class (corporate and retail);
    ii. Total number of units held by each class of unitholders;
    iii. Aggregate value of assets held by each class of unitholders;
    iv. Any significant transactions or changes in the CIS's composition affecting each class of unitholders;

v. Any material information or disclosures relevant to the interests of corporate and retail unitholders; and
vi. Gender Disaggregated Data as per Annexure – B.

d. share a monthly list of distributors appointed for distribution of CIS on Digital Platform along with following details:
   i. Total Monthly CIS Sales through the distributors (digital distributor and other than digital distributor AUM); and
   ii. Percentage of CIS Sales through Digital Distributor and other than digital distributor on cumulative basis.

e. establish and implement written policies and procedures to ensure that complaints from investors are handled in a timely and appropriate manner.

f. develop an efficient complaint management process for effective handling of related complaints. It shall prominently display on its website the Complaint redressal mechanism. A system shall be developed whereby the investors can lodge their complaints through the following multiple channels:

   i. Call Centre – Investor shall be able to call at a toll-free number of the digital portal/platform/website during the business hours; Such access may also be offered through other cost-effective mediums of audio/visual communication (i.e., WhatsApp messaging, call or any other). Code of Conduct for Call Centers is enclosed as Annexure C.

   ii. Details of Dedicated Point of Contact – Provide name, designation, email address and phone number of personnel designated to deal with DAMS related enquiries and complaints/issues; and

   iii. Lodge Online Complaint – Investor shall also be able to lodge his/ her complaint through a complaint form available at the digital platforms.

g. Every Complainant shall be given a unique Complaint Number for future tracking and all necessary information of the complainant including nature of complaint shall be logged to facilitate its investigation and resolution;

h. specify maximum timelines for acknowledgement and resolution of complaints; and

i. report to the Commission on a monthly basis, the following information:

   i. No. of complaints outstanding from previous month;
   ii. Total no. of complaints during current month;
   iii. Nature of repetitive complaints;
   iv. No. of complaints resolved;
   v. No. of complaints outstanding;
   vi. Satisfaction ratio;
   vii. Average time taken for disposal of a complaint; and

viii. Monthly trend analysis of complaints received and disposed.

1.7.3.2 The Digital AMC shall adhere to all the standard requirements applicable to an AMC, unless expressly modified or relaxed by the above-stipulated requirements.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
FUND MANAGEMENT DEPARTMENT

SECP

Annexure - A

Requirements for Mobile Apps by the Digital Asset Management Companies

See Clause 1.7.2.4

Note: The term **"Company"** is used as replacement for **"Digital Asset Management Company"**.

App Requirements – covers the entire mobile app ecosystem involved in capturing, storing, processing and transmitting financial/non-financial information. The Companies are responsible to ensure that their mobile apps and associated infrastructure is aligned with these requirements. The Company may develop mobile apps in-house, through outsourcing or by a combined approach. To manage mobile app development projects, Company shall:

(i) Put in place necessary app documentation including manuals on development, testing, trainings, production, operational administration, user guides and Service Level Agreements (SLAs);
(ii) Carry out vulnerability assessment, penetration testing and performance assessment of mobile apps to ensure effective and smooth operation before deploying the same in production environment;
(iii) Carry out system and user Acceptance Testing in an environment separate from the production environment; and
(iv) Put in place an escrow arrangement in case where third-party vendors develop mobile apps but the source codes are not released to the Company.

A. Architecture of App

(i). The Company shall be responsible for development of a standard architecture based on set of security principles, rules, techniques, processes, and patterns to design a secure App;
(ii). The entire development of App shall revolve around the architecture principles, which can be updated based on the learnings during the course of development of application layers (or equivalent) and operational usage and consumer feedback;
(iii). The Company shall ensure that the App architecture is robust and scalable, commensurate with the application volumes and user growth. For this purpose, a robust capacity management plan shall be put in place to meet evolving demand.

B. Device Registration/Binding

(i). The Company shall implement a flexible device registration/binding functionality using multiple properties unique to the device (such as IP address, location, remote server, time of the day, device type, location, PIN code, Wi-Fi information, screen size, browser, etc.) so that only registered devices are allowed to access backend servers.
(ii). The device registration/binding shall preferably be implemented using a combination of hardware, software and service information. In case, multiple devices are registered by a user:
   a) the user must be notified of every new device registration on the registered mobile number, email or phone call; and
   b) The Company shall maintain record of all registered devices, providing the user a facility to disable a registered device.

C. Authorization and Authentication of the User

(i). The Company shall ensure that explicit customer/user/unitholder/investor consent in a convenient manner is obtained before allowing registration of App;
(ii). A login authentication shall be in place.
(iii). The Company shall ensure that the access to personal data is protected by strong customer/user/unitholder/investor authentication mechanism including:
   a) Implementation of multi-factor authentication (MFA) for registration of App user-account;
   b) Strong and configurable PIN/password/pattern or a biometric credential such as face recognition or fingerprint recognition;
   c) Time-based one-time passwords (TOTP) for authentication;
   d) OTP auto-fetching functionality. The validity of OTP shall not exceed more than 180 seconds.;

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e) Configure maximum number of failed attempts of authentication after which access to the app is blocked;
f) Define maximum duration for termination of inactive mobile service sessions. Maximum duration for termination of inactive mobile service sessions shall not exceed thirty minutes;
g) Ensuring that user authentication shall be processed only at the app owner's server-end; and
h) Ensure that authentication attempts are logged and monitored to detect login anomalies and possible breaches.

D. Protection of Sensitive Personal Data

(i). The Company shall ensure that sensitive information is not stored in a shared store segment with other App on mobile devices. It is recommended to utilize only the device internal storage, which is virtually sandboxed per app or preferably in a container app without meddling with other applications or security settings of the mobile devices;

(ii). The Company shall ensure that the App erase/expire all application specific sensitive data stored in all temporary and permanent memories of the device during logoff or on termination of app instance. This requirement shall not apply to user-initiated downloads or reports (e.g., transaction history) saved locally on the device by the user.

(iii). Customer credentials and transactional data shall be encrypted while in-transit and at rest using strong, internationally accepted and published standards for key length, algorithms, cipher suites, digital certificates and applicable protocols that are not deprecated/ demonstrated to be insecure/ vulnerable;

(iv). Encryption keys shall only be stored with appropriate robust security controls and shall remain in a non-exportable form in a highly secure and standard key store. It may be bound to the secure hardware (e.g. Trusted Execution Environment, Secure Element for Android or its equivalent on any other platform). Further, Key Use Authorization shall be implemented, which should not be changed after generation of keys.

E. Network and Interfacing Security

(i). The Company shall ensure to enforce secure communication during the session establishment, exchange of data among App and backend services (including microservices);

(ii). Transport layer encryption shall be implemented for all communications between the App and app servers.

(iii). The Company shall setup their own Trust Manager to avoid accepting every unknown certificate. App shall use valid certificates issued by a trusted certificate authority;

(iv). App shall have inbuilt controls to mitigate bypassing of certificate pinning;

(v). App shall cease operations until certification errors are properly addressed;

(vi). The Company shall ensure that App must be able to identify new network connections and appropriate controls shall be implemented under such circumstances;

F. Session Management

(i). The Company shall ensure that App has automatic user-logoff functionality after a configurable idle time-period not exceeding thirty minutes;

(ii). The Company shall ensure that App has an easy to use and clearly visible logoff method;

(iii). The Company shall ensure that App erase/expire all application specific sensitive data stored in all temporary and permanent memories of the device during logoff or on termination of app instance;

(iv). The Company shall ensure that a procedure is in place to detect multiple simultaneous login attempts and immediately communicate it to the concerned user through alternate channels such as callback, SMS, email etc.

G. Tampering Detection

(i). The Company shall implement necessary checks on the server-side to verify App integrity and to detect any manipulation.

(ii). The Company shall ensure that installation of App is not allowed on rooted/jail broken devices;

(iii). The Company shall ensure that App is not allowed to run inside a debugger/emulator. For this purpose, App shall have debugger/emulator detections in place. Further, The Company shall not allow any third party to debug the application during runtime.

H. App Permissions

(i). The Company shall ensure to restrict data shared with other applications on the device through fine-grained permissions;

(ii). The Company shall ensure to minimize the number of permissions requested by the app and ensure that the permissions correlate to functionality required for the app to work. App shall defer or relinquish permissions when the same are no longer needed;

(iii). Unless for a specific business requirement in accordance with the security architecture principles, the Company shall restrict navigation from the App to external applications, websites or untrusted content, unless explicitly required for a business function and in accordance with the Company's approved security architecture principles.

I. Secure Coding

(i). The Company shall ensure that their App developers adhere to industry accepted secure coding practices and standards;

(ii). The Company shall ensure that security libraries offered by mobile operating systems are correctly designed and implemented and that the cipher suites they support are sufficiently strong. Accordingly, The Company shall only use necessary and secure services, protocols, components, and dependent software and hardware, including those provided by third parties.

(iii). The Company shall document all required protocols, services, components, and dependent software and hardware that are necessary for any functionality of the application.

(iv). The Company shall have knowledge of all off-the-shelf libraries/modules/components utilized in the development of App;

(v). The Company shall ensure that code signing is used for the App to confirm the software author and guarantee that the code has not been altered or corrupted since it was signed;

(vi). The Company shall ensure that private key used for code signing is generated, securely stored and appropriately backed-up;

(vii). The Company shall ensure that minification and source code obfuscation techniques are used in the App;

(viii). The Company shall ensure to review application code prior to release to customers after any significant change, to identify any potential coding vulnerabilities;

(ix). The Company shall verify that App is not vulnerable to common coding vulnerabilities by performing manual or automated penetration testing that specifically attempts to exploit injection flaws, buffer overflow, insecure cryptographic storage, insecure communications and improper error handling etc.

J. Input and Output Handling

(i). The Company shall ensure that any input coming from the client that is to be stored in databases is properly validated to avoid SQL injection attacks;

(ii). The Company shall ensure that input and output data is properly sanitized and validated at the server and at the client-end;

(iii). Auto-complete feature shall be disabled for sensitive information such as login IDs and passwords;

(iv). Clipboard/copy-paste function shall be disabled for sensitive data. The Company may also use in-app keypad/ keyboard to capture the input from users.

K. Error and Exception Handling

(i). App shall have a proper error-handling mechanism and all errors shall be logged in the server; and

(ii). Sensitive information and/or hints shall not be disclosed in error/warning messages and notifications.

L. Monitoring, Logs and Data Leakage

(i). The Company shall ensure that the app usage behavior is maintained and monitored through automated mechanism and deploy tools to identify any anomaly in the usage and behavior. The mechanism shall integrate with complete process of customer support for verification to clear the anomaly for consumer protection;

(ii). The Company shall ensure that App logs do not contain any sensitive data and where essentially required should be masked such that it no longer remains directly constructible in its complete form by collating component

ii). The logs shall be stored separately from the application/database servers and protected with appropriate access controls;

(iv). The Company shall implement appropriate security safeguards to protect the logs from unauthorized modification or destruction·

(v). The Company shall ensure that all the ecosystem logs are available for audits;

(vi). The Company shall implement appropriate control to protect transactional data information against any loss or damage;

(vii). Server access controls and audit logs shall be maintained the server level as per data retention policy.

M. App Vulnerability Assessment, Patching and Updating

The Company shall ensure that the App has passed through extensive and recursive vulnerability assessment, scan and intrusion tests to identify weaknesses in app through both internal and independent assessors;

(ii). The Company shall ensure that the vulnerabilities identified during assessment scans, usage of the app or through independent identifier sources are fixed and updated to respective platform stores;

(iii). The Company shall ensure notifying users about update and enforce it within a grace period depending upon the criticality of fixes. The information about fixes shall be published in app release notes.

N. Application Programming Interface (APIs)

In order to establish adequate safeguards to manage the development and provision of APIs for secure delivery of third party provided services through The Company shall implement following measures:

(i). Establish secur y standards for designing and developing secure APIs including measures to protect the API keys or access tokens, which are used to authorize access to APIs to exchange confidential data. The Company shall define and enforce a reasonable timeframe for access token expiry to reduce the risk of unauthorized access

(ii). A well-defined vetting process shall be put in place for assessing the appropriateness of third parties in connecting to the App via APIs, as well as governing third-party API access. The vetting criteria shall consider third party's nature of business, security policy, industry reputation and track record amongst others;

(iii). Perform risk assessment before allowing third parties to connect to their systems via APIs, and ensure the security implementation for each API is commensurate with the sensitivity and business criticality of the data being exchanged;

( ) Strong authentication and access control mechanism to authorize and control access to designated API services in order to safeguard customer information;

(v). Strong encryption standards and key management ontrols to secure transmission of sensitive data through APIs;

(vi). The Company shall have the ability to log the access sessions by the third party(ies), such as the identity of the third party making the API connections, and the data being accessed by them. The Company shall ensure to perform a robust security screening and testing of the API between the Company and third party before going live;

(vii). Deploy real-time monitoring and alerting capabilities to ensure visibility of the usage and performance of APIs and detect suspicious activities. In the event of a breach, measures shall be in place to promptly revoke API keys or access tokens; and

viii). Take steps to handle high volumes of API call requests by legitimate applications, and implement measures to mitigate denial-of-service attacks while ensuring that these measures are commensurate with the criticality and availability requirements of the app.

O. Customer Awareness

(i). The app shall have a visible section/tab/module containing necessary legal, regulatory and compliance related information with required disclaimers and acknowledgment of facts (such as relating to the extent of collection, storage, and disposal of data), rights, responsibilities and liabilities of both the users and the Company;

(ii). The Company shall ensure to educate and inform users clearly about how to access, download, securely use and cease to use the App within the App interface as well as through official application release channels in order to mitigate the risk of running malware-infected App;

(iii). The Company shall ensure that a robust remedial process of customer support and complaint resolution is defined and implemented to address any security incidence albeit targeted, sectoral or global related to App user(s) or their back-end infrastructure;

(iv). The Company shall ensure that App are hosted only at the relevant app platform and shall not be hosted for downloading at app owner's website or the vendor website or any other third-party website;

(v). The Company shall undertake active awareness campaigns to educate customer and internal staff about malicious messages, phishing attacks, and spoofing; and

(vi). All of the above information should be in a structured, clear and understandable form at least both in English and Urdu languages.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
FUND MANAGEMENT DEPARTMENT

Annexure – B
(Format of Gender Disaggregated Data)
[See Clause 3.1(c)]

Name of AMC/Digital AMC:

License Type:

Name of App:

Reporting Month

During the Month

No. of users registered/onboarded		No. of Investment Transactions Executed		Total Amount Invested		Total Amount Redeemed		Net Amount of Investment	
Male	Female	Male	Female	Male	Female	Male	Female	Male	Female

Total as of till date:

No. of users registered/onboarded		No. of Investment Transactions Executed		Total Amount Invested		Total Amount Redeemed		Net Amount of Investment	
Male	Female	Male	Female	Male	Female	Male	Female	Male	Female

Description	As end of Month,
Assets under Management	
Active UIN	
Avg Amount of Investment per UIN	

No. of downloads	Registered Users	No. of Verified UIN	% of user retention

NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad.
Tel: 051-9207091-4, Fax. No. 051-9100473

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
FUND MANAGEMENT DEPARTMENT

Annexure – C

Code of Conduct for Call Centers by the Digital Asset Management Company (Company)

[See Clause (3.1)(f)]

(i). The Company shall have a comprehensive policy and Standard Operating Procedures (SOP) on call center management duly approved by their Board of Directors;
(ii). Display, at conspicuous position on Company's websites/digital Apps/digital channel, the approved Policy and SOPs, as required under Clause (i) of this Code.
(iii). Ensure that call center numbers are displayed prominently on Company's websites/digital Apps/digital channel. Moreover, the companies are encouraged to deploy toll-free numbers for their call centers;
(iv). Customers/user/unitholder/investors must be given the choice to select their preferred language between Urdu or English;
(v). Agents must not refuse to lodge complaint of the customer/user/unitholder/investor;
(vi). Complaints received through the call center are properly recorded in the Complaint Management System (CMS), preferably through appropriate automation;
(vii). The Company must ensure the confidentiality of customer's data shared with the call center agents through appropriate oversight and security clauses in employment contract;
(viii). The company must ensure to implement direct dialing call center solutions, wherein the customer/user/unitholder/investors are contacted without exposure of their number or confidential data to the contacting staff;
(ix). Ensure periodic trainings of their call center staff on product features, approved SOPs and regulatory frameworks to avoid mis-selling and breach of regulatory requirements;
(x). The Company shall mandate periodic reporting on performance of call centers including Complaint Management turnaround time (TAT);
(xi). The Company shall ensure that supervision function like quality assurance checks of call center should not be outsourced;
(xii). Conduct consumer testing/ consumer recalls at least on an annual basis to assess customer awareness regarding call centers and take actions for improvement where required;
(xiii). Call center agent/staff must treat all customers with respect, courtesy, and professionalism at all times;
(xiv). Offensive/threatening language, discriminatory remarks, or disrespectful behavior towards customers is strictly prohibited;
(xv). Agents maintain a level of professionalism throughout the entire conversation. All conversations should be in line with corporate values and goals;
(xvi). An objective professional tone should be used with customer to hear/register their complaint and a tentative TAT shall be shared with them for complaint resolution;
(xvii). Agents must avoid mis-selling, maligning other competitive market products and exaggerating facts to their benefit;
(xviii). Agents must ensure that customer/user/unitholder/investor are explicitly informed about their calls being recorded at the call center; and
(xix). Upon resolution of complaint within committed TAT customer should be intimated as such, in case the complaint remains unresolved, a call/email should be made to customer, depending upon the mode through which complaint was initially lodged, to update on the progress made and a revised TAT shall be shared with customer.

NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad.
Tel: 051-9207091-4, Fax. No. 051-9100473

CHAPTER 2
ADVERTISEMENTS

Requirements for AMCs to Advertise Open End Collective Investment Schemes[22]

2.1 Scope

For the purpose of this circular, an advertisement is any material ("advertisement") published or designed to be published by an AMC on behalf of a CIS, which is broadly distributed and the AMC has no control over the audience or recipient of such advertisement. Any material, document or communication with a purpose to either sell units of a CIS, to convey performance of a CIS under its management, or to influence the opinion or behavior of recipients of such communication regarding particular CIS shall fall within the scope of this circular.

For the purpose of this circular, all forms of advertisements including, but not limited to, communications, sales literature, magazines, journals, posters, notices, signs or billboards, circulars, newsletters (including Fund Manager Reports - FMRs), brochures, fact sheets, or pamphlets, sound broadcasting, film or television commercials, standees, web advertisements (covering online advertisements, social media activities (such as Facebook, Twitter and Videos/Tutorials on You Tube, etc.) and Video FMRs) and sales promotion, howsoever released, are included as marketing material or advertisement by an AMC for a CIS.

The principles specified in this circular shall also apply to T.V. interviews, (including videos on You Tube), emails, public speeches, presentations in seminars and workshops, or any other forum used by the AMC, so long as it markets or conveys the performance of a CIS.

2.2 General Principles

2.2.1 An AMC shall be responsible for the contents of an advertisement and for its proper publication / distribution. Under no circumstances shall an AMC disassociate itself from liabilities in terms of genuineness and accuracy of the contents of its advertisements.

2.2.2 An AMC shall ensure that the advertisement or marketing material is based on the principles of good faith, fair dealing and does not in any way mislead or deceive an existing or prospective investor.

2.2.3 An AMC shall ensure that the advertisement published/disseminated presents a clear, fair and a realistic picture of the CIS with adequate risk disclosures, including standard risk disclosure statement.

2.2.4 An AMC shall ensure that the advertisement does not contain any information or statement which is inconsistent with the Constitutive Documents of a CIS.

[22] SECP Circular No. 16 of 2014 dated July 3, 2014

2.2.5 An AMC shall be responsible to assess and remain cognizant of the impact of any advertisement whether taken in entirety as well as in context.

2.2.6 An AMC shall ensure that an advertisement does not focus solely on the potential of a CIS to offer return without balancing reference to the risks involved. In particular, an advertisement shall not give or be perceived to give the impression that an investor could profit without being exposed to corresponding risk.

2.2.7 An AMC shall ensure that the advertisement does not use definitive or promising language in its representation of the outcome of investing in the CIS and it does not contain words or phrases that may give impression to the investors that they cannot lose money, unless the CIS has a capital guarantee/ protection feature in place. An AMC shall not market a CIS as a bank deposit although it may compare performance of the CIS versus the performance benchmark specified in the Constitutive Documents of the CIS.

2.2.8 An AMC shall ensure that the returns, ratings, and other information presented in the advertisements are up to date.

2.2.9 An AMC shall ensure that an advertisement does not seek or may be perceived to directly or indirectly defame other AMCs, the capital market, products of the capital markets, its participants or asset classes. It shall also not use language or artwork that would be considered by a person of ordinary prudence to be in poor taste.

2.2.10 An AMC shall ensure that the advertisement seeking investment in a CIS, avoids language or illustrations that imply urgency. It shall not use words or context which may be deemed as pressurizing the investor into investing within a certain time frame or by a certain time, except where the CIS is being offered for a limited time period or in case of limited life CIS.

2.2.11 An AMC shall ensure that the advertisement is not framed to exploit the lack of experience or knowledge of the investors and use simple language commensurate with the level of understanding of the investors. Extensive use of technical or legal terminology or complex language and the inclusion of excessive details which may detract the investors shall be avoided.

2.2.12 An AMC shall ensure that the advertisement does not contain phrases such as "best performing" or "first" unless attributable to an independent source and the document and/or source of information concerned is readily made available to investors upon request. The terms "low risk" or "minimal risk", "high return" should only be used relative to an alternative form of investment.

2.3 Performance Presentation

2.3.1 An AMC shall ensure that the performance data is based only on appreciation/depreciation in NAV per unit and the dividend payouts to the unit holders. No other figures shall be used to depict performance of a CIS.

Note: The performance of a CIS is defined as the total return of one unit over a specified period. Total return shall be calculated using any methodology approved by the Commission, including MUFAP's prescribed Total Return formula, Global Investment Performance

Standards (GIPS) issued by the CFA Institute or any other methodology approved by the Commission. Formula for calculating Total Return shall be used consistently by an AMC.

2.3.2 An AMC shall at minimum give the performance of a CIS vis-a-vis its benchmark specified in the Offering Document for the following periods:

	Fund's Return	**Benchmark Return**	**Stability Rating (for MM/FI Funds)**
Money Market Schemes - Minimum one-month return (annualized)			
Income and Aggressive Income Schemes- Trailing one-year return (for CIS having investment track record of less than one year but over six months, annualized return shall be provided) (in case return represent one-time receipts e.g. provisioning or reversal of provisioning, it shall be adequately disclosed)			
All other CIS Categories- Trailing one-year return (for CIS having investment track record of less than one year but over six months, absolute return shall be provided) (in case return represent one-time receipts e.g. provisioning or reversal of provisioning, it shall be adequately disclosed)			

2.3.3 An AMC shall ensure that the performance data of a CIS may be presented only if it has an investment track record of not less than six months. This is only applicable for new funds launched during the year and will be used only for the first year of inception. This clause shall not be applicable for FMR of new funds, however in such case the actual/absolute performance data of the CIS shall be presented except for money market schemes and income schemes.

For equity scheme, the calculation of return used in the advertisement shall be based on a minimum period of twelve (12) calendar months on rolling basis. This means that last twelve months performance will only be valid for the succeeding month. The AMCs shall ensure that outdated advertisements shall be removed from its websites and social media platforms[23].

2.3.4 An AMC may also publish performance data of a CIS vis-a-vis its benchmark for the following observation periods. However, these shall be mandatory for publishing performance of a CIS in the Monthly Fund Manager Report or product brochures or marketing material relating to the CIS to present performance and shall include a statement that performance data does not include the cost incurred directly by an investor in the form of sales loads etc.:

2.3.4.1 Last three financial years data- each year separately (annualized only for money market, income and aggressive income schemes and their equivalent sharia compliant CIS where performance evaluation period is less than one year, whereas absolute for others).

2.3.4.2 Last five financial years data- each year separately (annualized only for money market, income and aggressive income schemes and their equivalent sharia compliant CIS where performance evaluation period is less than one year, whereas absolute for others). and

2.3.4.3 Since inception for each financial year (annualized only for money market, income and aggressive income schemes their equivalent sharia compliant CIS for where performance evaluation period is less than one year whereas absolute for others). It is clarified that “Since inception for each financial year” shall be a single figure showing average annual return (geometric mean) including return of each financial year since inception.

e.g. Mutual Fund XYZ records the following returns:

Year	Return
2000	10%
2001	15%
2002	12%
2003	8%

AAR= (Return1 x Return2 x Return3 x Return4)^$^{1/4}$ -1
AAR=10.95%[24]

2.3.5 An AMC shall ensure that the advertisement containing performance information of a CIS gives a balanced presentation (e.g., a CIS advertisement should not focus on periods during which the CIS produced its best returns and exclude equally relevant periods in which the CIS did not perform as well), and should be from start of the financial year, launch of the CIS, or its quarterly, half-yearly or annual period.

2.3.6 An AMC shall ensure that performance information of CIS in an advertisement is up to date and not more than 3 months old (except award or rankings, fund stability rating/ capital protection rating which should be the most recent). In all circumstances, information shall be updated if most recent information is significantly different and may impact investment decision of existing and potential investors.

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[23] Added by SECP Circular N0. 16 of 2021 dated June 10, 2021
[24] SECP Letter No. SCD/AMCW/90/2014 dated September 10, 2014

2.3.7 An AMC shall ensure that any performance information of a CIS is actual rather than based on forecast/ simulation or its likely expected performance. An AMC may, however illustrate the concept of simple compounding for awareness of the general public.

2.3.8 An AMC shall adequately disclose any circumstances that may have contributed to any unusual performance of a CIS such as those that are not likely to be repeated in the future.

2.3.9 An AMC shall ensure that the performance information, including charts, graphs and tables, should use either the first or last business day of a month or the first or last dealing day of the CIS in a month as the reference date (such as start of financial year, since inception). The reference date shall in no case be arbitrary. Furthermore, the basis for computation of performance shall be clearly stated (i.e. NAV to NAV with or without dividends reinvested). It is clarified that reference date for performance information can be last day of month provided that NAV of a CIS is calculated for that particular day[25].

2.3.10 An AMC shall ensure that all performance information, including awards and rankings, should be referenced to the sources and dated. Rankings and award winnings may be quoted from any published external source.

2.3.11 An AMC shall furnish in a timely manner any information relating to the performance of its CIS claimed through advertisement or marketing material upon request by an investor or prospective investor.

2.3.12 An AMC shall ensure that any advertisement pertaining to an AMC discloses its latest Management Quality Rating as per requirements of the NBFC Rules, 2003. Likewise, advertisement pertaining to a CIS shall specify its latest Performance/ Fund Stability rating.

2.3.13 An AMC shall ensure that an advertisement pertaining to a CIS mentions the category of the CIS (e.g. Income, Equity, Money Market, etc.). In case a CIS does not fully comply with the investment criteria of the assigned category or investment requirements of its constitutive documents owing to any reasons whether within or beyond the control of the AMC, requisite disclosure is made by the AMC in advertisement in accordance with Circular 16 of 2010 issued by the Commission.

2.3.14 An AMC shall ensure that the comparison of performance figures is fair, accurate and relevant. If graphs are shown, they should be clearly presented without distortion (for example the bar charts should start from zero but not any ad-hoc figure). In selecting a format for the presentation of performance results, AMC shall give consideration not only to the completeness and accuracy of the data, but also to the clarity and meaningfulness of the overall presentation. Furthermore, it shall give careful consideration to the visual impact of the data presented instead of just depicting trends.

2.3.15 In case the benchmark of CIS is changed because there exists a benchmark which more closely reflects the investment focus of the CIS than the old benchmark, the return of the benchmark should be calculated using the old benchmark for the past period and the new benchmark from the date the new benchmark is introduced. An AMC shall ensure that the so calculated benchmark return is compared with the CIS return whenever such information is presented.

[25] SECP Letter No. SCD/AMCW/90/2014 dated September 10, 2014

2.3.16 Following additional requirements have been prescribed for performance presentation in all forms of advertisements including newspaper and social media advertisements related to equity schemes of an Open-end CIS for compliance by AMCs[26].

2.3.16.1 The font size of performance figure(s) shall not exceed twice the font size of heading in the advertisement, where heading is the text with the largest font size excluding the performance figure.

2.3.16.2 The font size of benchmark returns shall not be less than 30% of the performance figure(s). Explanation: *If font size of performance figure(s) is 60, font size for benchmark returns shall be equal to or more than 18.*

2.3.16.3 The information about fund risk profile should be given right under the benchmark figure and its font size shall not be less than 30% of the font size of the performance figure e.g. "Risk Profile: High Risk of Principal Erosion".

(Illustration attached as **Annexure-I** for guidance purpose only)

2.4 Comparisons with Peer Group Averages

An AMC shall ensure that in case of comparison of a CIS with peer group averages, such comparison shall be made with CIS
(a) belonging to the same category. and
(b) for money market/ fixed income funds having the same stability rating issued by a credit rating agency.
Furthermore, it shall use the peer group indices being maintained at MUFAP and shall ensure that the time periods of the comparative data must also be similar.

2.5 Changes to a CIS

2.5.1 An AMC shall ensure that if there has been a change in the operations of a CIS, such as a merger, a restructuring, a change of management companies, or a change in its investment objectives or policies or comparative index, where such change has a significant impact on the CIS's performance (or its presentation), any presentation of performance information prior to such change should be accompanied by a prominent explanation in the disclosure that is appropriate in the context of the advertisement to ensure such presentation is not misleading.

2.5.2 An AMC shall ensure that if a CIS is restructured (e.g. change in category or authorized investments), it is permissible to continue using past performance data only if there is no significant change in the investment policy and investment character of the CIS.

2.5.3 An AMC shall ensure that in the case of a merger of two or more CIS, past performance of CIS till the event of merger should be shown separately and from the date of merger performance of surviving CIS shall be continued. This is permissible only if the surviving CIS is still managed in same category as before the merger, and the past performance to be taken over is also representative of the new merged CIS.

[26] Added by SECP Circular No 16 of 2021 dated June 10, 2021

2.6 Disclaimers and Notes to Investors

2.6.1 An AMC shall ensure that the advertisements/ Offering documents shall contain the disclaimers as specified in **Annexure-II.**

2.6.2 An AMC shall ensure that if a CIS is described as having been approved by the Commission it must explicitly state that in giving this approval, the Commission does not take any responsibility for the financial soundness of the CIS nor for the accuracy of any statement made or any opinion expressed in the Offering Document or other advertisements.

2.6.3 An AMC shall ensure that the disclaimers and footnotes are well positioned and, where applicable, properly referenced in the advertisement. Further, the disclaimer shall be legible and can easily be read with reasonable ease by anyone scanning the advertisement. Due consideration shall also be given to the effect of back ground colors on legibility of the text in print advertisements.

2.6.4 An AMC shall ensure that the advertisements of a CIS with special features (e.g. short selling or use of futures etc.) includes risk disclosures/ disclaimers appropriate to the degree of risk inherent in the CIS. The Commission may require additional disclosures/ disclaimers to be included in the advertisements of specific types of ClSs, where appropriate.

2.6.5 An AMC shall ensure that the footnotes given in the advertisement are clear and concise, with no distortion or unclear shortcuts, so as to afford investors adequate information to complete the references to the footnotes. There shall be clear bifurcation between disclaimer and footnotes.

2.7 Rules Applicable to Radio, Television, Cinema, Hoardings and Bill Boards

2.7.1 The following provisions are applicable to such advertisements where, the recipients of information have no control over the time for delivery of information (e.g. radio, television, cinema broadcasts, etc.):

2.7.1.1 An AMC shall ensure that for audio-visual advertisements disclaimers referred to in Annexure I shall be displayed in a clearly legible font size covering at least 70% of the total screen space. The remaining 20% space can be used for the name of the CIS or logo or name of the AMC, etc. The display and voice-over reiteration of the disclaimer statement shall be for a period of ten percent of run-time of at least five seconds and be audibly and clearly read out in a voice-over at the end of each broadcast.

2.7.1.2 An AMC shall ensure that for audio advertisements, disclaimers referred to in Annexure I shall be read in a manner easily understandable to the listener over a period of not less than five seconds.

2.7.2 The following is applicable to the advertisements through hoardings and billboards:

2.7.2.1 An AMC shall ensure that for hoarding and billboard disclaimer referred to in Annexure I shall be displayed in a clearly legible font size covering at least 10% of the total display space.

However, for performance presentation in all forms of advertisements including newspaper and social media advertisements related to equity schemes of an Open-end CIS for compliance by AMCs, the above-mentioned disclaimers should be in bullet points and the font size of the disclaimer should not be less than 20% of the font size of the performance figure as specified in para 2.2.16. The hoarding and billboard shall cover at least 20% of the total display space of the advertisement.

2.8 Incidental Features

2.8.1 An AMC shall ensure that the incidental features in all advertisements are presented in accordance with the following principles:

2.8.1.1 Undue prominence should not be given to any incidental feature (e.g. free insurance coverage, etc.) in any advertisement. An advertisement shall stress on information pertaining to the CIS instead of incidental feature.

2.8.1.2 The offer should be featured subject to relevant disclosure, for example, value of the item offered, the length of the offer period, conditions attached, whether certain categories of investors are excluded, etc.. and

2.8.1.3 There should be no hidden costs imposed on investors in the name of incidental features. In case of an explicitly stated cost to be borne by unit holders, it must be disclosed that the incidental feature is optional for unit holders.

2.8.1.4 An AMC shall not advertise gifts or lucky draws to solicit investment in the CIS.

2.9 Tax Credit and Other Benefits

2.9.1 An AMC shall ensure that the advertisement relating to tax credit on investment in CIS shall use the format specified in **Annexure-III.**

2.9.2 An AMC shall ensure that the advertisement does not contain simulated/ expected returns and calculation of total return on the basis of tax credit on investment in CIS.

2.9.3 An AMC shall ensure that the advertisement contain appropriate disclaimer pertaining to applicability of all taxes and tax laws and other conditions regarding the tax credit in the footnotes.

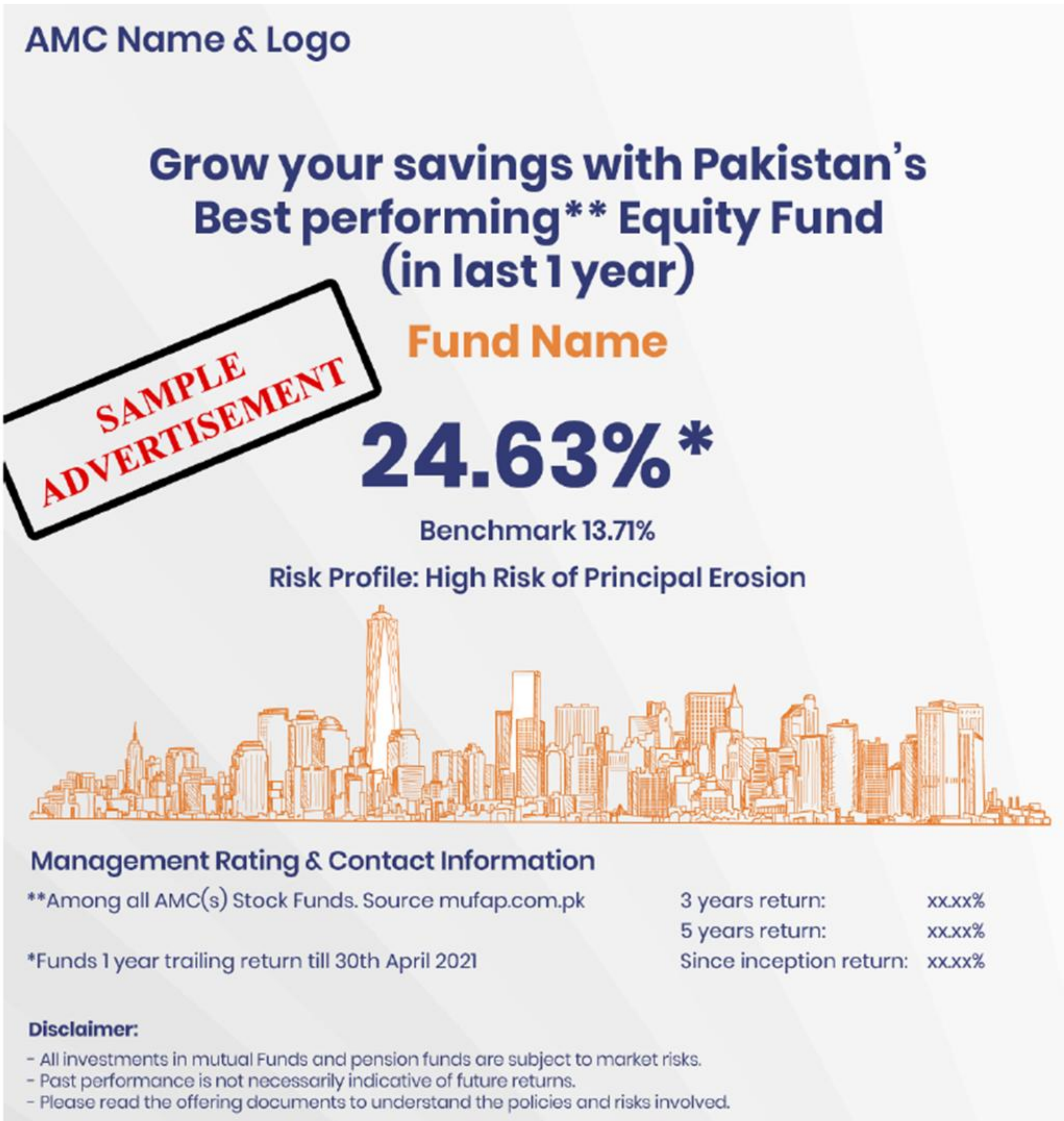
2.10 An AMC shall submit to the Commission published/ broadcasted version of advertisement within thirty-six hours of the publication date.

All AMCs are required to ensure meticulous compliance in letter and spirit. Any violation/circumvention of this circular shall be dealt with in accordance with the relevant laws, rules and regulations for AMCs.

Note: All AMCs shall exclude the amount invested by fund of fund schemes in underlying funds managed by same AMC while publishing the amount of assets under its management in advertisements.[27]

[27] SECP Direction No.12 of 2017 dated April 27, 2017

Annexure-I


AMC Name & Logo
Grow your savings with Pakistan's
Best performing** Equity Fund
(in last 1 year)
SAMPLE
ADVERTISEMENT
Fund Name
24.63%*
Benchmark 13.71%
Risk Profile: High Risk of Principal Erosion
Management Rating & Contact Information
**Among all AMC(s) Stock Funds. Source mufap.com.pk
*Funds 1 year trailing return till 30th April 2021
3 years return: xx.xx%
5 years return: xx.xx%
Since inception return: xx.xx%
Disclaimer:
- All investments in mutual Funds and pension funds are subject to market risks.
- Past performance is not necessarily indicative of future returns.
- Please read the offering documents to understand the policies and risks involved.

Annexure-II

Disclaimer for TV Commercial (Existing Fund and New Fund)

The disclaimer for the TV Commercial displayed at the end of advertisement is stated below (depending on the language of advertisement).

All investments in mutual fund are subject to market risks. Past performance is not necessarily indicative of the future results. Please read the Offering Document to understand the investment policies and the risks involved.

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Disclaimer for Hoardings/Bill Boards (Existing and New Fund)

All investments in mutual fund are subject to market risks. Please read the Offering Document to understand the investment policies and the risks involved

میوچل فنڈز میں سرمایہ کاری کے نتائج مارکیٹ کے حالات پر منحصر ہیں
سرمایہ کاری کی پالیسیوں اور رسک کو بخوبی سمجھنے کے لیےآفرنگ ستاویزات کا مطالعہ کیجیے

Disclaimer for Print Advertisement (Existing Fund)

All investments in mutual fund are subject to market risks. Past performance is not necessarily indicative of the future results. Please read the Offering Document to understand the investment policies and the risks involved.

میوچل فنڈز میں سرمایہ کاری کے نتائج مارکیٹ کے حالات پر منحصر ہیں۔ یہ ضروری نہیں کہ مستقبل کے نتائج گزشتہ کارکردگی کے مطابق ہوں۔ سرمایہ کاری کی پالیسیوں اور رسک کو بخوبی سمجھنے کے لیے آفرنگ دستاویزات کا مطالعہ کیجیے

Disclaimer for Print Advertisement (New Fund & IPO Ad)

All investments in mutual fund are subject to market risks. The investors are advised in their own interest to carefully read the contents of Offering Document in particular the Investment Policies mentioned in clause____________ Risk Factors mentioned in clause _______ and Warnings in clause_____________ before making any investment decision.

Additional Disclaimer for Capital Protected Funds and Capital Guaranteed Funds:

Capital-Protected funds shall disclose the following statements in addition to the standard disclaimer:

(a) A statement on the specific terms of capital protection (e.g. capital protection only applies to unit holders who hold their investments until maturity date)

Capital-Guaranteed funds should disclose the following statements in addition to the standard disclaimer:

(a) Name and credit rating of the guarantor.
(b) A statement on the material terms of the guarantee (e.g. guarantee only applies to unit holders who hold their investments until maturity date)
(c) The guarantee is subject to the credit risk of the guarantor and it does not give any assurance to the future solvency of the guarantor.

Disclaimers for website, you tube and social media

On the websites, the AMCs generally upload the approved print advertisements so the disclaimer shall be same as that of disclaimer of print advertisement. YouTube advertisement is similar to TVC so the disclaimer shall be same as that of disclaimer of TVC. In case of social media, the minimum text of disclaimer shall be as that of billboard /hoarding disclaimer.

Additional disclaimer for non-compliant open-end schemes:

If a CIS is not compliant with either the minimum investment criteria specified for its category or with the investment requirements of its constitutive documents, following disclosures are mandatory:

"The XYZ scheme holds certain non-compliant investments. Before making any investment decision, investors should review the latest monthly Fund Manager Report and Financial Statements."

Additional disclosures regarding contingent WWF liability:

In case the AMC gives data regarding NAV or return of CIS in the advertisement, following additional disclosure shall be given:

Where requisite provision is not being maintained or partially maintained against the WWF liability –

"The Fund/Scheme has not made provisions amounting to Rs……....... against Workers' Welfare Fund liability, if the same were made the NAV per unit/return of the Scheme would be lower by Rs………../…………. %age. For details investors are advised to read the Note................ of the latest Financial Statements of the Scheme."

Annexure-III

The schedule mentioned below illustrates the tax credit which can be obtained at various income levels given their respective tax slabs as per section 62 of Income Tax Ordinance, 2001.

Taxable Income	**Permissible Investment for Tax Credit (PKR)**	**Tax Amount (PKR)**	**Tax Credit (PKR)**
(Rupees)		**According to Income Tax Ordinance**	

CHAPTER 3
CATEGORIZATION OF COLLECTIVE INVESTMENT SCHEMES AND INVESTMENT AVENUES

Categorization of Open-end Collective Investment Schemes[28]

Categorization of the open-end Collective Investment Schemes ("CIS") on the basis of investment parameters including eligible asset classes with pre-specified risk profile is imperative to enable the investors to make informed decision and to bring uniformity in the mutual funds industry for comparing performance of various open-end CIS.

The AMCs shall ensure that all existing and upcoming open-end CIS shall be categorized in accordance with the criteria given in this chapter. Each open-end CIS shall be assigned only one category and AMCs shall ensure that the investment parameters associated with such type of schemes are strictly followed. A category once assigned to open-end CIS shall not be changed.

The pricing mechanism for all open-end CIS with the exception of money market schemes shall be based on forward pricing mechanism.

3. Criteria for Categorization of Open-End Collective Investment Schemes

Open-end schemes shall be categorized as per the following criteria:

3.1 Equity Scheme

3.1.1 At least 70% of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis;

3.1.2 The remaining net assets shall be invested in cash and/ or near cash instruments which include cash in bank accounts (excluding TDRs), and treasury bills not exceeding 90 days' maturity; and

3.1.3 It shall not take exposure to Margin Trading System (MTS)[29].

3.2 Balanced Scheme

3.2.1 Investment avenues - listed equity securities, government securities, cash in bank accounts, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial papers, reverse repo, TFCs/ Sukuks, MTS[30], spread transactions, preference shares, exchange traded commodity future contracts[31].

3.2.2 Net assets ranging between 30% to 70% shall remain invested in listed equity securities at all times. The scheme may sell in the cash-settled futures market against a position held in the

[28] SECP Circular No.7 of 2009 dated March 06, 2009
[29] SECP Circular No. 04 of 2011 dated March 10, 2011
[30] SECP Circular No. 4 of 2011 dated March 10, 2011
[31] SECP Circular No. 9 of 2013 dated June 11, 2013

underlying security, however, the minimum 30% non-hedged exposure in listed equity securities shall be maintained at all times.

3.2.3 The remaining net assets shall be invested in the authorized investments as specified in the offering document of the scheme.

3.2.4 Rating of any long term debt security in the portfolio shall not be lower than A- (A Minus) and Rating of any short term debt security in the portfolio shall not be lower than A 2 (A Two)[32].

3.2.5 Rating of any NBFC and Modaraba with which funds are placed shall not be lower than AA (Double A).

3.2.6 Rating of any bank and DFI with which funds are placed should not be lower than AA (-) (Double A Minus).

3.2.7 Weighted average time to maturity of non-equity assets shall not exceed 2 years.

3.2.8 Exposure to MTS[33]and spreads shall not exceed 25% of the net assets.

3.2.9 At least 10% of the net assets shall be invested at all times in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days' maturity[34].

3.2.10 A Balanced Scheme may invest up to 60% of its net assets in exchange traded commodity future contracts[35]. and

3.2.11 Investment parameters and miscellaneous requirements (except clauses 1, 2 and 15) stipulated under Circular No. 32 of 2012 shall be applicable on the schemes to the extent of exposure in commodities future contracts[36].

3.3 Asset Allocation Scheme

3.3.1 Asset Allocation Scheme may invest its net assets in any type of securities at any time with a provision to diversify its net assets across multiple types of securities and investment styles as specified in their offering documents.

3.3.2 An Asset Allocation Scheme shall be eligible to invest in exchange traded commodity future contracts[37].

3.3.3 Every such scheme shall disclose in its offering document the following:

(a) Authorized investments. and
(b) Rating of securities that it would invest in.

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[32] SECP Circular No. 9 of 2023 dated June 01, 2023
[33] SECP Circular No. 4 of 2011 dated March 10, 2011
[34] SECP Circular No. 9 of 2013 dated June 11, 2013
[35] SECP Circular No. 9 of 2013 dated June 11, 2013
[36] SECP Circular No. 9 of 2013 dated June 11, 2013
[37] SECP Circular No. 9 of 2013 dated June 11, 2013

3.3.4 The investment within each asset class shall be governed by the criteria applicable to schemes of that asset class.

3.3.5 Investment parameters and miscellaneous requirements (except clauses 1, 2 and 15) stipulated under Circular No. 32 of 2012 shall be applicable on the schemes to the extent of exposure in commodities future contracts.[38]

3.3.6 At least 10% of the net assets shall be invested at all times in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days' maturity.[39]

3.4 Fund of Funds Scheme

3.4.1 Such scheme shall invest its net assets in other schemes only.

3.4.2 Every such scheme shall mention its type with respect to asset class, e.g. equity fund of funds, income fund of funds etc., in its offering document.

3.4.3 Every such scheme will be invested either in units of other collective investment schemes as per its investment policy or in cash and/ or near cash instruments which include cash in bank accounts (excluding TDRs), and treasury bills not exceeding 90 days' maturity.

3.4.4 Investment of fund of funds scheme in money market schemes shall be treated as equivalent to cash and near cash instrument.[40]

3.4.5 Every such scheme shall ensure that it does not invest in the seed capital of any other collective investment scheme.

3.4.6 A fund of fund scheme may also be established with the objective of investing in closed-end schemes.

3.4.7 A Constant Proportion Portfolio Insurance (CPPI) based principal preservation fund/plan in a fund of funds category may invest its money market component in saving accounts and term deposits with banks rated AA- and above.

3.4.8 An AMC may charge management fee up to 1% of average annual net assets of money market component invested in saving accounts and term deposits in case of a CPPI based principal preservation fund/plan in a fund of funds category.

3.4.9 The per party exposure limits given in [Schedule XIX read with][41] Regulation 55 of the NBFC Regulations, 2008 shall not be applicable on money market component invested in saving accounts and term deposits in case of a CPPI based principal preservation fund/plan in a fund of funds category.

[38] SECP Circular No. 9 of 2013 dated June 11, 2013
[39] SECP Circular No. 9 of 2013 dated June 11, 2013
[40] SECP Direction No. 07 of 2017 dated March 03, 2017
[41] Amendments in NBFC & NE Regulation, 2008 vide SRO592(I)/2023 dated May 17, 2023.

3.4.10 An open-ended fund of funds scheme may invest the subscription money in a money market scheme managed by the same AMC during the Pre-Initial Offering and Initial Offering Period.[42]

3.4.11 A capital/principal protected/preservation scheme in a Fund of Funds structure shall only invest in money market scheme and/or Sovereign Income Scheme for its capital/principal preservation/protection component.

3.5 Shariah Compliant (Islamic) Scheme

3.5.1 Such scheme shall invest its assets only in Shariah compliant assets

3.5.2 [In all other categories except money market Shariah Compliant Schemes, the minimum rating of any bank or DFI with which funds are placed shall be lower of A- (A minus) or the minimum rating specified for that category elsewhere in the above referred Circular (Circular No. 07 of 2009). Furthermore, rating of any long debt instruments in the portfolio shall be lower of A- (A minus) or the minimum rating specified for that category elsewhere in the above referred Circular (Circular No. 07 of 2009) and rating of any short-term debt instruments in the portfolio shall not be lower than A 2 (A Two)][43]. and

3.5.3 Every such scheme shall be categorized with respect to equity, fund of funds, income etc. in its constitutive documents and follow the conditions applicable to that category.

3.6 Capital Protected Scheme

3.6.1 Such scheme shall make investments in such a manner that the original amount of Investment is protected whilst having the potential yield positive returns, with such conditions as to tenure of investment and any other conditions that are disclosed in the offering document. the offering document of such scheme shall clearly demonstrate how this capital protection is achieved. and

3.6.2 In the event that such scheme is protecting the investment capital by placing a term deposit with a bank or DFI, the rating of such bank or DFI at the time of offering the scheme shall not be lower than AA- (Double A minus).

3.7 Index Scheme/ Index Tracker Scheme

3.7.1 Such schemes shall strive to mimic the stated index and disclose the likely tracking error in the Offering Document.

3.7.2 An Index scheme shall strive to remain fully invested in accordance with the stated index, however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index or its subset during the year based on monthly average investment calculated on daily basis, The uninvested amount shall be kept in cash and/ or near cash instruments where near cash instruments include cash in bank account (excluding TDRs), and treasury bills not exceeding 90 days maturity.

[42] SECP Circular No. 3 of 2018 dated March 02, 2018
[43] SECP Circular No. 9 of 2023 dated June 01, 2023.

3.7.3 Index schemes and index tracker schemes may select an index (or a subset thereof) established by a recognized independent third party.

3.8 Money Market Scheme

3.8.1 Investment avenues - government securities, cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills, money market placements, deposits. certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial papers [and/or short term Sukuk][44], reverse repo.

Provided that the Money Market Funds may take maximum (cumulative)[36] exposure of twenty (20) per cent of the net assets of the CIS in commercial papers [and/or short term Sukuk][45] of corporate entities subject to compliance with the exposure limits as prescribed in Non-Banking Finance Companies and Notified Entities Regulations, 2008.[46]

[However, AMCs whose money market schemes have already taken exposure beyond 20% in commercial papers and/or short term Sukuk shall comply with the requirement within a period of three months (i.e. till January 13, 2023) from the date of this Circular (i.e. Circular No. SCD/Circular/98/2022 dated October 13, 2022 unless their investments are held till maturity][36]

[Provided that the Money Market Schemes can invest in GOP Ijarah Sukuk (GIS) listed and traded through Pakistan Stock Exchange with a maturity exceeding six (06) months and up to one (01) year subject to the following conditions:

(i) requirement for weighted average time to maturity of the net assets including government securities shall remain as "not exceed ninety (90) days";

(ii) the respective monthly fund manager report, shall include the disclosure of the actual exposure or investment in one-year GIS, calculated as a percentage of Net Assets; and

(iii) All the other conditions applicable on money market schemes including the risk profile through the prevalent Regulations, Circulars and Directions shall remain intact.][47]

3.8.2 No direct/indirect exposure to equities, i.e. no exposure in equities, MTS[48.] spread transactions, etc.

3.8.3 Rating of any NBFC and Modaraba with which funds are placed shall not be lower than AAA (Triple A)

3.8.4 Rating of any bank and DFI with which funds are placed should not be lower than AA (Double A)

[44] Added by SECP Circular No. 11 of 2022 dated October 13, 2022
[45] Added by SECP Circular No. 11 of 2022 dated October 13, 2022
[46] Added by SECP Circular No. 31 of 2020 dated 22 October, 2020
[47] SECP Circular No. 36 of 2025 dated December 17, 2025
[48] SECP Circular No. 04 of 2011 dated March 10, 2011

3.8.5 Rating of any long term security in the portfolio shall not be lower than AA (Double A) and Rating of any short-term security in the portfolio shall not be lower than A 1 (A One)[49].

3.8.6 Time to maturity of any asset shall not exceed six months

3.8.7 Weighted average time to maturity of the net assets shall not exceed 90 days, and

3.8.8 AMCs shall at all times maintain at least 10% of net assets of Money Market Funds in cash and treasury bills that can be readily converted into cash[50].

3.9 Income Scheme

3.9.1 Investment avenues - government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial paper, reverse repo, TFC/ Sukuk, MTS[51], spread transactions.

3.9.2 Exposure to MTS[52] and Spreads shall not exceed 40% of the net assets.

3.9.3 At least 25% of the net assets shall be invested in cash and near cash instruments which include cash in bank account (excluding TDRs), treasury bills not exceeding 90 days' maturity. However, income schemes which invest at least 70% of their net assets in government securities in accordance with the investment policy stipulated in their constitutive documents, shall maintain at least 10% of the net assets in cash and near cash instruments which include cash in bank account (excluding TDR) and treasury bills not exceeding 90 days maturity.[53] In case of government securities fund at least 70% of its net assets shall remain invested in Government Securities on monthly average basis calculated at the end of each month. In the event of any breach in the same due to increase or decrease in net assets due to issuance or redemption, the breach shall be regularized within one month of the breach[54].

[Provided that in line with the scheme's requirement, the minimum cash or near cash investment limits (both conventional and shariah compliant) shall be maintained at all times.][55]

3.9.4 Not more than 15% of the net assets shall be invested in non-traded securities including reverse repos, bank deposits, certificates of investments (COI), certificate of musharakas (COM) and anything over 6 months' maturity which is not a marketable security. The exposure limit of 15% is on cumulative basis as percentage of the overall net assets and not for each type of non-traded instrument[56].

[**Explanation:** For the purpose of this clause, the money market placements (including clean placements) with a maturity of up to six months are permissible investment avenues and shall not be treated as non-traded instruments for income schemes provided that such

[49] SECP Circular No. 09 of 2023 dated June 01, 2023.
[50] SECP Direction No. 01 of 2016 dated January 26, 2016
[51] SECP Circular No. 04 of 2011 dated March 10, 2011
[52] SECP Circular No. 04 of 2011 dated March 10, 2011
[53] SECP Circular No. 3 of 2015 dated January 26, 2015
[54] SECP Email dated September 19, 2017
[55] SECP Email dated August 23, 2024.
[56] SECP Email dated April 10, 2012

investments are otherwise in compliance with the applicable investment framework and exposure limits.][57]

3.9.5 Rating of any long term security in the portfolio shall not be lower than investment grade (BBB minus) and Rating of any short-term security in the portfolio shall not be lower than A 3 (A Three)[58].

3.9.6 Rating of any NBFC and Modaraba with which funds are placed shall not be lower than investment grade.

3.9.7 Rating of any bank and DFI with which funds are placed should not be lower than investment grade.

3.9.8 Weighted average time to maturity of the net assets shall not exceed 4 years and this condition shall not apply to securities issued by the Federal Government. The cap on the WATM of an Income Fund of 4 years would not include securities issued by the Federal Government. However, for the purpose of disclosure (FMR or other public marketing materials), actual WATM of the portfolio should be calculated to disclose the factual portfolio position[59]. and

3.9.9 No restriction regarding:

(a) Time to maturity of any single asset in the portfolio.
(b) Duration of a single security in the portfolio.

3.10 Fixed Rate/Return Scheme[60]

3.10.1 Investment avenue -government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM) and TDRs.

[Fixed Rate/Return Scheme, to the extent of placement of Term Deposits (TDRs) with the Commercial Banks/Islamic Banks/Islamic Windows of Commercial Banks having a minimum rating of AA (Double A) from a rating agency registered with SECP, shall have the same exposure limits in terms of Regulation 55 [read with Schedule XIX][61] of the NBFC&NE Regulations, 2008 as are applied to the Capital Protected or Guaranteed Scheme.][62]

3.10.2 Rating of any bank and DFI with which funds are placed should not be lower than AA (Double A) from a rating agency registered with the Commission.

3.10.3 [Weighted average time to maturity of ninety percent (90%) of the net assets including Government Securities of each Fixed Rate / Return / Term Investment Plan shall corresponds with the maturity/residual maturity of the respective Investment Plan.][63]

3.10.4 [The AMC shall establish and maintain appropriate risk management policies, procedures, and internal controls to ensure that investment strategy of each Fixed Rate / Return Plan

57 SECP Circular No. 17 of 2026 dated July 24, 2026.
58 SECP Circular No. 09 of 2023 dated June 01, 2023.
59 SECP Email dated September 10, 2010
60 SECP Circular No. 3 of 2022 dated February 10, 2022
61 Amendments in NBFC & NE Regulation, 2008 vide SRO592(I)/2023 dated May 17, 2023.
62 SECP Clarification vide Email dated May 31, 2024.
63 SECP Circular No. 14 of 2026 dated June 30, 2026.

remains consistent with its stated investment objective; and shall remain capable of meeting its redemption liabilities in a timely manner.][64]

3.10.5 Such scheme shall make investments in such a manner that the original amount of investment is protected at maturity whilst having the potential to yield positive fixed rate/return.

[Explanation: In accordance with the scheme's objective, it is hereby clarified that for any Fixed Rate/Return/Term Scheme or Plan, an Asset Management Company is obligated to ensure both capital protection of the principal investment and the fulfillment of the expected fixed/promised/committed returns (as communicated at the time of investment) to the unitholders who retain their investment until the Scheme or Plan matures. The expected fixed/promised/committed returns must be consistent for all prospective unitholders and must be clearly disclosed to prospective unitholders at the time of investment. The Asset Management Company is also required to disclose such minimum expected fixed/promised/committed returns in the monthly Fund Manager Report and in the respective account statements of the unitholders.][65]

3.10.6 The Total Expense Ratio of this scheme shall be same as Money Market Fund and this scheme shall not charge any sales load to investor except contingent load which shall be made part of the scheme property.

Provide that contingent load shall commensurate with net loss incurred due to early redemption.

3.10.7 An AMC may launch Fixed Rate/Return Plan with different investment avenues and different maturity dates under such scheme and the number of such plans at any point in time shall not increase ten (I0).

3.10.8 An AMC shall publish separate Fund Manager Report for each Fixed Rate/Return Plan.

3.10.9 Clause no. 7 of the Circular No. 16 of 2014 dated July 03, 2014 shall not be applicable on this scheme.

3.10.10 [Clause (iv) of Schedule XVIII][66] of the Regulations to the extent of NAV and clause IV of Circular No. 11 of 2009 dated March 26, 2009 shall not be applicable on this scheme and the frequency of NAV dissemination will be as specified in the Constitutive Documents.

3.11 Aggressive Fixed Income Scheme

3.11.1 Investment avenues - government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial paper, reverse repo. TFC/Sukuk, MTS[67], Spread transactions.

3.11.2 At least 10% of the net assets shall be invested in cash and/or near cash instruments which include cash in bank account (excluding TDRs), and treasury bills not exceeding 90 days' maturity.

[64] SECP Circular No. 14 of 2026 dated June 30, 2026.
[65] Clarification issued vide email dated September 04, 2024.
[66] Amendments in NBFC & NE Regulation, 2008 vide SRO592(I)/2023 dated May 17, 2023.
[67]SECP Circular No. 04 of 2011 dated March 10, 2011

[Provided that in line with the scheme's requirement, the minimum cash or near cash investment limits (both conventional and shariah compliant) shall be maintained at all times.][68]

3.11.3 Both rated and unrated securities shall be eligible for investment, below investment grade rated securities shall also be eligible for investment.

3.11.4 Weighted average time to maturity of the net assets shall not exceed 5 years and this condition shall not apply to securities issued by the Federal Government.

3.11.5 No restriction regarding time to maturity of any single security in the portfolio.

3.12 Commodity Schemes:[69]

3.12.1 At least 70% of the net assets of the commodity scheme shall remain invested in commodities or commodity futures contracts during the year based on quarterly average investment calculated on daily basis.

3.12.2 Remaining net assets of the commodity scheme shall be invested in cash and near cash instruments which include cash in bank accounts (excluding TDR), and treasury bills not exceeding 90 days maturity. However, at least 10% of the net assets of the commodity scheme shall remain invested in cash and near cash instruments at all times.

3.12.3 For the purpose of exposure in commodity or commodity futures contracts, a commodity scheme shall only be eligible to invest in exchange-traded futures contracts that have underlying assets as commodities (such as gold, silver, crude oil, etc.).

3.12.4 A commodity scheme shall only invest in cash settled futures contracts, except for gold for which a commodity scheme, in addition to the cash settled futures, may also invest in deliverable futures contract.

3.12.5 Maximum exposure of the scheme shall not at any time exceed 90% of its net assets to ensure no gearing / leverage by the scheme. For this purpose, the difference between the contract price and upfront margin i.e. the "earmarked cash" shall be blocked in an earmarked account for settlement purposes and the AMC along with the Trustee of the commodity scheme shall ensure timely payment of settlement amount and margin calls on behalf of the commodity scheme within the time period stipulated by the exchange. It is clarified that opening single/multiple account(s) for liquidity and earmarked purposes is a pure operational aspect of fund management. The AMC and the Trustee may opt for single or multiple account(s) as per their mutual agreement[70].

3.12.6 For the purpose of the earmarked cash / assets, an AMC may invest the amount in the following manner:

[68] SECP Email dated August 23, 2024.
[69] SECP Circular No.32 of 2012 dated Oct 18, 2012
[70] SECP Email dated March 22, 2013

i. In cash and near cash instruments which include cash in bank accounts (excluding TDR), treasury bills and money market schemes.

ii. Rating of any bank with which funds are placed shall not be lower than AA (Double A).

iii. Time to maturity of any instrument / asset shall not exceed 90 days. Further, maturity of each investment / asset shall not exceed the maturity of the commodity futures contract for which the cash / assets has been earmarked. This clause requires an AMC to match the remaining maturity of the earmarked instrument/asset with the residual maturity of the futures contract for which the instrument/asset has been earmarked.[71]

3.12.7 AMC shall not sell commodity futures contract on behalf of the scheme without pre- existing interest of the commodity scheme.

3.12.8 AMC shall ensure that before launch of any commodity scheme, it possesses sufficient systems and employs capable human resources, which includes qualified fund managers with requisite skill set to understand and deal in commodities or commodity futures contracts.

3.12.9 AMC shall follow forward pricing mechanism for the commodity scheme and shall mark to market on a daily basis the exposure of the commodity scheme in commodities or commodity futures contracts.

3.12.10 AMC shall specify in the offering document of the commodity scheme reasonable cut-off time for calculation and announcement of NAV and for accepting application for issuance and redemption of units of the scheme, after appropriately taking into account the closing time of the exchange(s) on which such commodity futures contracts are traded.

3.12.11 AMC shall ensure that for any overseas investment by a commodity scheme the exchange rate declared by the State Bank of Pakistan is used for the purpose of marking the investments / assets to market.

3.12.12 AMC shall not enter on behalf of a commodity scheme (or Shariah compliant commodity scheme), into transactions with any broker that exceed twenty percent of the commission payable by the scheme in any one accounting year.

3.12.13 Any incidental charges incurred in respect of the commodities may be charged to the commodity scheme with the approval of the Commission.

3.12.14 An Islamic commodity scheme shall invest only in Shariah compliant assets.

3.12.15 The commodity scheme shall be liable to pay to the Commission a monitoring fee as prescribed in the Regulations for money market schemes.

3.12.16 AMC shall ensure that in addition to the requirements stipulated under the NBFC Rules, 2003 and the Regulations, the requirements specified above are complied with in letter and spirit for any commodity scheme launched by it.

[71] SECP Email dated March 19, 2013

3.12.17 The Investment parameters and miscellaneous requirements (except clauses 3.12.1, 2 and 15) stipulated above shall be applicable on the Balanced scheme and Asset Allocation Scheme to the extent of exposure in commodities future contracts[72].

3.13 Infrastructure Schemes:[73]

3.13.1 Every such scheme shall mention its type with respect to asset class, e.g. equity infrastructure scheme, debt infrastructure scheme or a hybrid infrastructure scheme in its offering document.

3.13.2 The scheme shall invest in securities issued by the entities engaged in the transport and logistics sector, energy sector, water and sanitation sector, communication sector, and social and commercial infrastructure, including but not limited to education institutions, sports infrastructure, hospitals, tourism infrastructure, industrial parks, and affordable housing.

3.13.3 The scheme shall maintain minimum net assets of one hundred million rupees at all times during its existence in the case of a perpetual scheme, or at the close of the initial offering or subscription period in the case of a closed-end scheme.

3.13.4 The AMC shall invest or arrange a seed capital of at least twenty-five million rupees in case of closed-end scheme having maturity over three years, which may be withdrawn upon the scheme achieving a subscription threshold of one hundred million rupees by close of initial offering period or subscription period; failing which, the said seed capital shall remain invested until the maturity of the scheme.

3.13.5 A closed-end infrastructure scheme may offer liquidity windows or additional subscription periods after at least one year from the close of the initial offering (IOP/Subscription Period). The Offering Document shall specify conditions including but not limited to redemption caps, minimum holding periods, pro-rata allocation, applicable charges, and other operational modalities. The AMC shall ensure compliance with the minimum fund size requirement for each such window.

3.13.6 Regulation 38(2)(r) of the Regulations, to the extend of frequency of NAV dissemination, and Clause IV of Circular No. 11 of 2009 dated March 26, 2009, shall not apply to a Closed-End Infrastructure Scheme. In such cases, the frequency of NAV dissemination shall be prescribed in the Constitutive Documents and shall not exceed a monthly interval.

3.13.7 The following requirements shall be complied with in relation to the structural composition and investment horizon of infrastructure schemes for each respective asset class:

[72]SECP Circular No.9 of 2013 dated June 11, 2013
[73] SECP Circular No. 23 of 2025 dated August 21, 2025.

Parameters	Equity Infrastructure Scheme	Debt Infrastructure Scheme	Hybrid Infrastructure Scheme
Structure	Open or Closed-End	Closed-End	Closed-End
Duration	Closed-End | Up to 7 Years	Up to 7 Years	Up to 7 Years
Pricing Mechanism	Forward	Forward	Forward
Investment Avenues	Listed Equity Securities Cash and near Cash instruments	Debt Securities Cash and near Cash instruments	Listed Equity and Debt Securities & Cash and near Cash instruments
Weighted Average time to Maturity	-	Shall not exceed the maturity of the scheme. *This condition shall not apply to securities issued by the Federal Government.*	
Minimum Investment	At least 70% of the scheme's net assets, on a quarterly average basis calculated at each quarter-end, shall remain invested in Infrastructure Securities, with any breach due to issuance or redemption to be regularized within three months.		
Exposure Limits	Such scheme shall have the same exposure limits in terms of Regulation 55 of the Regulations as are applied to the Sector Specific Funds.		
Benchmark	Sector-specific PSX indices or custom index reflecting listed infrastructure-related stocks.	PKRV / PIB / PKISRV Rates on the last date of the IOP / Subscription Period of the Scheme, with a maturity period corresponding to the maturity of the Scheme.	Combination of performance benchmarks for Equity Infrastructure Scheme and Debt Infrastructure Scheme on the basis of actual proportion held by the Scheme.
Risk Categorization	High	Shall be applicable as per the maturity of the respective scheme	
Sales Load	Nil	Nil	Nil
Contingent Load	-	Shall commensurate with net loss incurred due to early redemption.	
Management Fee	Up to 3% calculated on a per annum	Up to 1.50% calculated on a per	Weighted average approach based on

Parameters	Equity Infrastructure Scheme	Debt Infrastructure Scheme	Hybrid Infrastructure Scheme
	basis of the average daily net assets	annum basis of the average daily net assets	respective allocation of net assets.

3.13.8 The AMC shall adhere to all the standard requirements applicable to a Collective Investment Scheme, unless expressly modified or relaxed by the above-stipulated requirements.

3.14 ESG Schemes:[74]

3.14.1 An ESG Scheme shall operate within the existing categorization (e.g., Equity, Income, Balanced, Asset Allocation, Index Tracker, Shariah Compliant etc.), subject to compliance with the additional requirements specified herein.

3.14.2 Any scheme under the ESG category shall be launched with one of the following strategies: -

(i) **Negative Screening** – Exclusion of investment in certain sectors, projects or companies undertaking certain business activities or practices from a portfolio for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g., avoiding particular products, services or business practices).

(ii) **Integration** – Systematic assessment of quantitative and qualitative data and explicit inclusion of environmental, social and governance factors in investment analysis.

(iii) **Best-in-Class/Positive Screening** – Invest in top ESG performers in a sector i.e. prioritizing investment in sectors, companies or projects that demonstrate positive ESG performance relative to industry peers.

(iv) **Impact Investing** – Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. A CIS with an impact investing strategy, such as environmental or social impact, is required to clearly state the positive impacts that it aims to achieve.

3.14.3 The name of the scheme shall clearly reflect the underlying ESG strategy and may include terms such as “green”, “sustainable”, “impact”, or similar expressions in its name:

Provided that no scheme shall include such terms in its name unless the scheme demonstrably applies the corresponding ESG strategy and complies with the requirements of this Circular (i.e. Circular No. 12 of 2026 dated June 24, 2026).

3.14.4 A minimum of fifty percent (50%) of the net assets under management (AUM) of an ESG Scheme shall be invested in instruments/securities aligned with the particular ESG strategy of the Scheme, as specified above. The minimum threshold prescribed above represents the initial requirement and may be enhanced by the Commission as and when it deems fit.

[74] SECP Circular No. 12 of 2026 dated June 24, 2026.

A. Equity-Oriented ESG Schemes:

(i) Investment in listed equity securities of companies that have reported alignment with SECP ESG Disclosure Guidelines or companies included in the Sustainability/ESG Index of Pakistan Stock Exchange Limited (PSX); or companies identified through an internally developed ESG assessment methodology by the Asset Management Company (AMC).

(ii) The ESG assessment methodology shall be objective, transparent, consistently applied, and appropriate to the investment strategy of the Scheme.

(iii) The ESG assessment methodology shall, at a minimum:
   (a) comply with relevant provisions of the SECP's ESG Disclosure Guidelines for listed companies;
   (b) consider sector-specific material ESG factors and may include Health, Safety and Environment (HSE) considerations;
   (c) establish minimum ESG eligibility, scoring or screening criteria for investee companies; and
   (d) consider material ESG controversies, regulatory actions, governance concerns, or other significant sustainability-related risks, where applicable.

(iv) To ensure appropriate governance and oversight, ESG assessment methodology shall be:
   (a) approved by the Board of Directors of the AMC; and
   (b) periodically reviewed by the AMC.

(v) For the purpose of compliance with minimum ESG-aligned investment requirement prescribed under this Circular, an Equity-Oriented ESG Scheme shall maintain such exposure on a quarterly average basis, calculated with reference to the daily net assets of the Scheme.

B. Debt-Oriented ESG Schemes:

(i) The minimum 50% ESG-aligned portion shall be invested in green, social, sustainability or sustainability-linked bonds, sukuk, or other instruments.

Explanation: - such investments shall include debt securities issued by the Government and designated as green; instruments issued to finance or support green activities in accordance with the State Bank of Pakistan's Pakistan Green Taxonomy, or issuers that have reported alignment with the SECP ESG Disclosure Guidelines, or aligned with the SECP Green Bonds Guidelines and SECP Gender Bonds Guidelines, as applicable.

3.14.5 The remaining portion of the investment shall not be in contrast to the strategy of the scheme. However, minimum 10% of the net assets of the portfolio shall be invested in cash or near-cash instruments.

3.14.6 ESG ratings issued by licensed credit rating agencies may be utilized as supplementary inputs within the investment decision-making process. However, reliance on such ratings shall not absolve the AMC of its obligation to undertake independent analysis, due diligence, and fiduciary oversight. The ultimate responsibility for ensuring ESG alignment and integrity of the investment strategy shall remain with the AMC.

3.14.7 ESG Schemes shall adequately disclose in the offering document all material information w.r.t ESG strategy, including the key principles, screening criteria and assessment approach adopted by the Scheme. The disclosure shall at least include the followings: -

a. **ESG Investment Strategy** - A clear description of the ESG approach adopted by the scheme (e.g., screening, integration, or impact investing), including how ESG factors are incorporated into investment decisions and portfolio construction.

b. **Screening Methodology** - Details of the screening process applied, including any exclusion criteria, ESG scoring models, use of internal or external data, and treatment of ESG controversies or non-compliant issuers.

c. **ESG-Aligned Allocation Criteria -** The criteria and thresholds used to determine ESG-aligned investments, including minimum allocation requirements, eligible instruments, and any benchmarks or indices used for alignment.

d. **ESG-Related Risks** - Disclosure of key risks associated with ESG investing, including data limitations, methodology risks, potential concentration risks.

3.14.8 A Fund Manager's commentary shall be included in the Annual Report of CIS, covering: -

(i) application of ESG strategy to portfolio construction;
(ii) engagements with portfolio companies (voting methods, objectives, outcomes); and
(iii) statement from the Board of Directors of the AMC confirming, with reasonable assurance, that the scheme has been managed in accordance with its stated ESG investment strategy and requirements.

3.14.9 The AMC shall adhere to all other requirements applicable to CIS prescribed under NBFC Rules, Regulations, 2008 unless expressly modified or relaxed by the above-stipulated requirements.

3.15 Criteria for Investing in Equity Securities by Collective Investment Schemes (CIS)[75]

The Securities and Exchange Commission Pakistan in exercise of the powers conferred under section 282B (3) of the Companies Ordinance, 1984 hereby issue the following criteria which shall be followed by Asset Management Companies (AMCs), while making investment in listed equity securities.

Criteria

3.15.1 An AMC shall ensure that the investment of CIS in equity securities of the following companies shall not exceed 10% of their overall equity portfolio of CIS on monthly average basis;

[75] SECP Circular No. 28 of 2021 dated October 28, 2021

a) Company is not traded on regular trading counter of the Pakistan Stock Exchange;

b) The minimum free float of the company is less than 15% of total outstanding shares; Provided that this clause shall not be applicable on equity securities which are part of KSE-30 index or KMI-30 index at the time of investment. However, in case an equity security is subsequently excluded from KSE-30 index or KMI-30 index, the AMC shall rebalance its portfolio and ensure compliance within six months of such index recomposition.

c) The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be; and

d) Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited accounts or half yearly limited scoped reviewed accounts, whichever is latest.

3.15.2 The AMCs shall not invest in any company against which winding-up proceedings have been initiated and/or qualified opinion on the going concern assumption has been issued by its statutory auditor

For the purpose of this Circular, following events shall be considered as winding-up events:

a) A show-cause notice for winding up has been issued to the Company by the Commission.

b) Winding-up petition is filed by creditors with a claim equivalent to at least 10% of the equity of the company as per latest accounts.

c) Winding-up petition is filed by the shareholders who own at least 10% of the company's paid-up capital.

d) Voluntary winding-up proceedings have commenced through passing of special resolution.

This criteria is applicable on all CIS, which are authorized to invest in equity securities as per their constitutive documents with immediate effect. AMCs shall rebalance their CIS investments in equity securities to ensure compliance with this criteria within 90 days of the issuance of this circular.

3.16 Investments in Exchange Traded Equity Future Contracts[76]

3.16.1 All categories of CIS which are allowed to invest in equity securities or equity spread transactions may take equity exposure through equity future contract (Deliverable Futures Contracts, Single Stock Cash Settled Futures and/or Stock Index Futures Contracts) subject to enabling provisions in their respective offering document.

3.16.2 A CIS may take exposure through equity future contracts for meeting the investment objective of the CIS or for the purpose of hedging.

[76]SECP Circular No.7 of 2020 dated March 27, 2020

3.16.3 A CIS may purchase deliverable equity future or cash settled equity future and for this purpose the difference between the contract price and upfront margin shall be invested in cash and near cash instruments.

3.16.4 A CIS cannot blank sale in deliverable equity future contract.

3.16.5 A CIS may sell deliverable equity futures contracts against its existing ready market open purchase position in the same security if such open position will settle prior to or on the same settlement date as the settlement of deliverable equity futures contracts or against shares held in CDC.

3.16.6 A CIS may sell deliverable equity futures contracts against its existing deliverable future purchase position in the same security till such time that such position is settled or a CIS may sell cash settled equity futures contract against its existing cash settled equity future purchase position in the same security till such time that such position is settled. However, such exposure shall not exceed 40% of the net assets of the scheme.

3.16.7 A CIS may sell in cash settled equity futures contracts maximum up to 5% of the net assets of the CIS without pre-existing interest in the security provided that it complies with the relevant regulation of Pakistan Stock Exchange Limited Regulations. However, such position shall be covered by underlying cash or near cash instruments.

3.16.8 An AMC must ensure that exposure (net long or net short) in equity futures contracts shall not, at any time, exceed net assets of the CIS.

3.16.9 An AMC along with the trustee shall at all times ensure to fulfill its obligations with respect to equity futures contracts, whether in the form of payment or delivery.

3.16.10 An AMC must ensure compliance with exposure limits prescribed under [Schedule XIX read with Regulation 55][77] of the NBFC Regulations.

3.16.11 AMCs taking exposure through equity futures contracts shall ensure that necessary risk management measures are in place to enable the AMC to monitor, measure and manage the risks of the CIS position in equity futures contracts and their contribution to the overall risk profile of the CIS.

3.16.12 An AMC shall make appropriate disclosures in the offering document of CIS which at least covers the following: -

(a) A brief disclosure regarding introduction of equity futures contracts, their period of maturity and how equity future contracts can facilitate in hedging or attaining the investment objective of the scheme.

(b) Extent and manner of participation of the schemes in equity future contracts.

(c) Risk factors of exposure in equity futures contracts explained by suitable numerical examples.

[77] Amendments in NBFC & NE Regulation, 2008 vide SRO592(I)/2023 dated May 17, 2023.

(d) A statement as to whether future contracts are used for the purpose of hedging or meeting the investment objective of the scheme.

(e) A description of risk management and compliance procedures and controls adopted to ensure appropriate risk management.

3.16.13 Exposure in futures contracts shall be marked-to-market on a daily basis as per requirement of the Pakistan Stock Exchange.

3.17 Investments in units of Real Estate Investment Trust[78.]

3.17.1 Equity and equity-oriented schemes (i.e. equity, balanced and asset allocation schemes and index schemes) shall be eligible to invest in units of unlisted or privately placed Real Estate Investment Trusts Scheme which shall be listed on a securities exchange within a period of three years from its financial close as provided in Regulations 5(3) of REIT Regulations, 2015 subject to the following: -[79]

(a) The CIS shall take exposure in units of unlisted or privately placed REIT Schemes up to a maximum of 5% of net assets of such REIT Schemes whichever is lower, provided that the entity/sector/group exposure limits as specified in the regulation are complied with.

(b) An AMC before investing shall ensure that.

i. Investment in units of unlisted or privately placed REIT scheme are correctly valued and priced for the purpose of calculation of NAV. and

ii. Mechanism is available for the exit of the CIS from such REIT scheme.

3.18 Securities Lending by AMCs on behalf of Collective Investment Schemes[80]

3.18.1 An AMC on behalf of Collective Investment Schemes namely equity, asset allocation, balanced and index schemes may lend equity securities maximum up to 10% of net assets of such Collective Investment Scheme out of its equity portfolio.

3.18.2 An AMC on behalf of Collective Investment Scheme shall lend securities only through platform provided by an authorized intermediary for the purpose of securities lending and borrowing as per the Securities (Leveraged Markets and Pledging) Rules, 2011.

3.18.3 An AMC shall make necessary amendments in offering document of respective CIS and given necessary notice to the unit holders as per the requirements 44(7) of NBFC Regulations 2008.

3.18.4 The above three requirements are issued without prejudice to the requirements prescribed under Securities (Leveraged Markets and Pledging) Rules, 2011.

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[78]SECP Circular No. 19 of 2015 dated May 15, 2015
[79] Added by SECP Circular No. 19 of 2021 dated 23 June 2021
[80]SECP Circular No. 18 of 2019 dated December 20, 2019

3.19 Investments in units of Exchange Traded Funds by Collective Investment Schemes:[81]

3.19.1 Equity schemes and those asset allocation, balanced and index schemes which have "equity" asset class in their Investment Objective may take exposure in units of all types of ETFs maximum upto 10% of net assets of such CIS.

3.19.2 Income and aggressive income schemes and those asset allocation and balanced schemes which have "income" asset class in their Investment Objective may take exposure in units of Income ETFs maximum upto 10% of net assets of such CIS.

3.19.3 Money Market schemes and those income, fixed income, asset allocation and balanced schemes which have "money market" asset class in their Investment Objective may take exposure in units of Money Market ETFs maximum upto 10% of net assets of such CIS.

3.19.4 An AMC shall not charge management fee on such percentage of net assets of the equity/asset allocation/ balanced/index/income/ aggressive income/ money market CIS which are invested in the units of ETFs managed by the same AMC.

3.20 Other Requirements/Clarifications:

3.20.1 The term 'cash and near cash instrument' include only cash in bank account (excluding TDRs or other term deposits) and treasury bills not exceeding 90 days maturity[82] and Government of Pakistan (GoP) Ijarah Sukuks not exceeding 90 days remaining maturity shall be counted for cash and near cash instrument requirements.[83] Money Market Placements cannot be treated as 'cash and near cash instrument'.[84]

3.20.2 For the purpose of Circular No. 07 of 2009, the rating of "BBB minus or above" is considered as investment grade rating[85].

3.20.3 An AMC on behalf of each eligible Collective Investment Scheme (CIS) shall not place funds (including TDR, PLS Saving Deposit, COD, COM, COI, money market placements and other clean placements of funds) of more than 25% of net assets of that CIS with all microfinance banks, non-bank finance companies and Modarabas.

Provided that above condition shall not be applicable on sector specific fund and aggressive income fund.[86]

3.20.4 An AMC can open and maintain bank accounts on behalf of CIS in banks that do not meet the rating stipulated in Circular No. 07 of 2009 up to a maximum of 0.25% of net assets of the CIS to facilitate investors for swift issuance and redemption of units. The AMC shall not place Term Deposits on any material amounts of money in these lower rated banks to earn higher returns. These accounts shall only be utilized to provide operational benefit to the investor.[87]The trustee may allow transfer of funds in excess of 0.25% of net assets in a bank which does not meet the rating requirement after ensuring that these funds are transferred only

[81]SECP Circular No. 07 of 2022 dated July 05, 2022
[82] SECP Letter No. NBFC-II/CDC dated October 22, 2010
[83] SECP Circular No. 10 of 2016 March 16, 2016
[84] SECP Email dated November 23, 2012
[85]SECP Letter No. SCD/AMCW/CDC/81/2012 dated March 15, 2012
[86]SECP Direction No. 37 of 2016 dated November 23, 2016
[87]SECP letter No. SCD/AMCW/MUFAP/451/2011 dated November 11, 2011

to meet the redemption requests received and actual balance in that bank account complies with the requirement of 0.25% of net assets at day end. The AMCs should deposit and get the cheque cleared from the banks which comply with the rating requirement instead of the bank which do not meet the rating requirement if due to such deposit the limit of 0.25% of net assets is going to be breached as this would be considered violation. All such instances should be immediately reported by the trustee to SECP in terms of NBFC Regulations[88].

3.20.5 AMCs shall periodically conduct appropriate stress testing on the portfolios of Money Market and Income Funds under their management based on certain hypothetical and/or historical events, such as rise in short-term interest rate, an increase in redemptions, a downgrade or series of downgrades in rating of portfolio securities, or credit event etc.

3.20.6 AMCs shall conduct independent assessment of credit worthiness of the counter party while taking credit exposure against any party or in any security other than Government Securities on behalf of CIS as external ratings are only one element to take into consideration when assessing the credit quality of an instrument/entity.

3.20.7 AMCs shall develop procedures to identify investors whose redemption request may pose risk to the funds under their management. AMCs must ensure that appropriate efforts are undertaken to identify patterns in unit holders' cash needs, sophistication, risk aversion, as well as to assess the concentration of the investor base[89].

3.20.8 AMCs shall ensure that their open-end Collective Investment Schemes (balanced scheme, shariah compliant (Islamic) scheme, money market scheme and income scheme) do not take exposure in short term instruments below the short-term ratings as specified in the Circular (Circular No. 07 of 2009). Those AMCs whose open-ended Collective Investment Schemes, have already taken exposure in below rated short term instruments shall comply with the requirement within a period of six months from the date of this Circular (Circular No. 09 of 2023)[90].

3.20.9 [Each CIS or Investment Plan must have more than one investor at all times, ensuring alignment with the concept of Collective Investment Scheme as defined under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

3.20.10 In order to ensure adherence with the above, AMCs are hereby directed to ensure the following:

i The combined duration of Initial Offering Period (IOP) and Subscription Period shall not be less than 3 days to ensure sufficient time for investor participation.
ii AMCs shall communicate launch of each CIS/ Plan to all existing investors, unless explicitly opted out from receiving promotional communications by any investor.
iii AMCs shall ensure that the IOP and Subscription Period is openly marketed and accessible to the broader investing public, reinforcing equitable investor access and genuine pooling of funds.][91]

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[88]SECP Letter No. SCD/AMCW/MCBFSL-Clarification/180/2014 dated December 9, 2014
[89] SECP Direction No. 1 of 2016 dated January 26, 2016
[90] SECP Circular No. 09 of 2023 dated June 01, 2023.
[91] SECP Direction 18 of 2025 dated July 21, 2025.

3.20.11 [Compliance with the specified investment and exposure limits for different categories of CIS is to be ensured separately both at the individual investment plan level and the overall CIS level. AMCs shall ensure compliance with the investment and exposure limits at the plan level as well as at the overall CIS level separately. In case of any requisite existing active Plan in breach of specified investment and exposure limits, the AMC shall ensure compliance within a period of 60 days from the issuance of this guidance note (dated 12th September 2024)][92].

3.21 Requirements for incorporation of Key Fact Statement (KFS) [93]

AMCs shall incorporate a Key Fact Statement (KFS), as second to the title page of the Offering Document (OD) and/or Supplemental Offering Document (SOD) in case of offering of Investment Plans or amendment in the fundamental attribute, to achieve clarity and ease of understanding for the investors enabling them to make a well-informed investment decision. KFS shall be subject to the following minimum requirements;

i. AMCs shall provide the approved version of KFS for each Collective Investment Scheme (CIS)/ Investment Plan before soliciting new investments;

ii. Each Investment Plan under a CIS shall have a separate KFS;

iii. AMCs shall ensure that KFS for each CIS/ Investment Plan is readily accessible to investors on its website/ online portal as well as on the website of its digital distributor(s);

iv. AMCs shall ensure that, at the point of sale including through the AMC's website or a third-party digital portal/website—investors acknowledge receipt of the KFS and confirm their review and understanding of its contents. This acknowledgment shall be obtained by requiring investors to sign off on the Investment Form for physical transactions and, in the case of online investments, through a pop-up screenshot incorporating a checkbox mechanism that allows investors to either accept or decline after review and validation. The investment form/ pop-up shall clearly state the following with a check box:

   "I acknowledge that I have read the Key Fact Statement at the time of investment, and I have read and understood the terms and conditions to the best of my knowledge and have retained copy of the same."

v. AMCs shall ensure the validity/correctness of the KFS including the incorporation of any subsequent amendments due to change in the fundamental attributes;

vi. AMCs shall continue to make available updated copy of OD's on its official website and other digital means;

vii. Template for KFS is attached as **Annexure-IIIA**;

viii. These requirements shall be applicable from April 30, 2025, for any new CIS/Investment Plan that has not yet been launched. Additionally, all the existing perpetual CIS/Investment Plans launched before the date of this Circular (i.e. Circular 8 of 2025 dated March 27, 2025), shall ensure compliance until June 30, 2025. The AMCs shall submit supplemental constitutive documents to the Commission for information

[92] SECP Email dated 12th September 2024.

[93] SECP Circular 8 of 2025 dated March 27, 2025

within one week from the date of amendments in terms of Regulation 44(10) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3.22 Requirements for Investment Plans Offered Under Collective Investment Schemes[94]

AMCs shall comply with the following terms and conditions in order to offer Investment Plans under CIS managed by them:

3.22.1 **Eligible Categories to offer Investment Plans:** An AMC may offer Investment Plans under following categories of the CIS, provided that the Constitutive Documents of the CIS include the enabling provisions for the same:

e. Fund of Funds Scheme;
f. Fixed Rate/Return Scheme;
g. Sovereign Income Scheme;
h. Capital Protected Scheme;
i. Asset Allocation Scheme; and
j. Exchange Traded Funds:

[Provided that the existing CIS other than those specified above having a Shell Structure prior to the issuance of the Circular, may continue to have only one perpetual investment plan (Plan) within the respective CIS. In case, a CIS has more than one perpetual investment plans, remaining perpetual plans shall either be converted into fixed maturity plans or merged with a similar category of CIS/Plan with a maturity date/completion of merger **not later than December 31, 2026**. Furthermore, in case of perpetual plans under an active independently launched CIS, all such perpetual plans shall be converted into fixed maturity plans or merged with a similar category of CIS/Plan with a maturity date/completion of merger **not later than December 31, 2026.** Such conversions from perpetual to fixed maturity plans shall be subject to prior approval of the Commission within one hundred and eighty (180) days from the date of issuance of this Circular (Circular 11 of 2025 dated May 21, 2025) or else the plan shall be revoked accordingly.][95]

Provided further that the active fixed maturity Investment Plans in other CIS categories, except as specified above, shall continue to exist until the respective maturities without any further extension. Moreover, any approved Investment Plans that have not yet been launched and are inconsistent with the provisions of this Circular, shall cease to exist and may be resubmitted for seeking afresh approval of the Commission in accordance with the terms and conditions set forth in this Circular;

Provided further that Circular no. 3 of 2022 for Fixed Rate/Return Schemes, still remains applicable and binding upon all AMCs offering such schemes, until further notice or amendment by the Commission.

3.22.2 **Operational Requirements for Investment Plans:**

a) **Maximum Number of Investment Plans within a CIS:** An AMC shall only offer a maximum of six active Investment Plans, at any given point in time, within a Shell

[94] SECP Circular No. 25 of 2024 dated December 23, 2024.
[95] SECP Circular No. 11 of 2025 dated May 21, 2025.

Structure CIS except Fund of Fund Scheme (FoF) and Asset Allocation Scheme (Asset Allocation) wherein such maximum limit shall be three, subject to following conditions:

(i) If a CIS is launched in a Shell Structure then, only one Investment Plan may be perpetual except FoF and Asset Allocation wherein all three Plans may be perpetual; and

(ii) In the event of the independent launch of a CIS, the allowable limit for Investment Plans within said CIS shall be constrained to a maximum of five limited life/fixed maturity Investment Plans. However, in case of FoF or Asset Allocation Scheme being offered/launched independently, no Investment Plan shall be allowed under such CIS.

All fixed rate/return schemes shall be launched in the shell structure and maximum number of active investment Plans shall not be more than ten (10) at any given point in time.

Explanation: For the purposes of this clause the expression "Shell Structure CIS" means a CIS that exclusively enables a legal structure for launch of Investment Plans under the respective eligible categories as listed under Clause 1. In this context, it is clarified that a Shell Structure CIS does not offer its units for subscription, but rather, the units of the Investment Plans are made available for subscription to the investors/unitholders.

[Provided that clause 2(a) of the Circular shall have effect only in relation to the eligible categories of CIS under clause 1, with effect from December 23, 2024 and the plans launched prior thereto shall continue to operate.][96]

(b) **Duration of the Plan:** The offering document or the supplemental offering document shall specify whether the plan is perpetual or of fixed maturity. In case of fixed maturity plans:

i. Maximum Subscription Period from the date of close of Initial Offering Period (IOP) shall not exceed sixty (60) days. Provided that subject time-line can be extended along with detailed valid rationale and there shall be no contingent load on redemption during such period;
ii. the maximum allowable duration/maturity of the Investment Plan from the date of close of IOP or Subscription Period (whichever is later) shall not be more than five years;
iii. the AMCs shall clearly communicate the respective maturities and benchmarks of the Investment Plans prior to launch of Pre-IOP to the SECP and the trustee; and
iv. all the investors at time of investment shall clearly be communicated about the expiry date of Subscription Period (if any) and consequent Maturity date of the respective Plan(s) from the date of close of expiry of the Subscription Period.

(c) **Exposure Limits and Investment Restrictions:** Exposure limits and investment restrictions as applicable under the Regulations and/or the relevant Circulars/Directions for a respective category of CIS, shall be applicable to each Investment Plan, without exception and such limits shall be exercised at the level of each plan respectively.

[96] SECP Circular 11 of 2025 dated May 21, 2025.

(d) **Benchmarks for Investment Plans:** Prevailing **s**pecified benchmarks for each category of CIS, shall be applicable for Perpetual Investment Plans in accordance with the respective category and shall be disclosed in its FMR accordingly. However, AMCs shall align the benchmarks for Fixed Maturity Investment Plans in accordance with the authorized investments and stated maturity periods for such Plans.

(e) **Minimum Size of Investment Plans:** The minimum size of a single Investment Plan shall be fifty million rupees at all times during the life of the plan and all existing Investment Plans with the size of less than fifty million rupees shall ensure the compliance of this minimum size limit within ninety days of issuance of this Circular or it may revoke the subject plan or seek time from the Commission based on detailed rationale to merge the subject Investment Plan with a similar CIS or an Investment Plan.
However, this restriction shall not apply on fixed term/ return plans or other plans already launched with a fixed maturity date.

[Explanation: For the purpose of this clause the requirement for maintaining minimum net asset of PKR 100 million for an open-end CIS shall only apply to the independent launch of a Collective Investment Scheme (CIS), with or without investment plans. However, in case of CIS established under a Shell Structure offering perpetual and/or fixed maturity investment plans, the minimum requirement of Rs. 50 million shall be applicable on each such investment plan. Moreover, in case of fixed maturity investment plans, the requirement shall only be applicable until the close of Initial Offering Period or Subscription Period, whichever is later and post-launch the plan size of fifty million rupees is not applicable.][97]

(f) **Mode of Equity Exposure by Fund of Fund CIS:** Investment Plans under Fund of Fund including Active Asset Allocation (i.e. based on CPPI or similar strategy), for the sake of equity exposure shall only be structured on underlying dedicated equity CIS.

Explanation: for the purposes of this clause the expression "Dedicated Equity CIS" means a CIS wherein only qualified investors i.e. Investment Plans under fund of funds including Active Asset Allocation are eligible for investment. The net assets within this specified CIS are exclusively allocated to investments in listed equity securities.

3.22.3 **Disclosure Requirements and Investment Plan Report:**

(a) **Specific Disclosure for Fund of Fund CIS:** Offering Document and the advertisements of such Investment Plans launched under Fund of Funds CIS, shall specifically disclose that the investors are bearing/ not bearing the recurring expenses of the Fund of Funds CIS, in addition to the expenses of underlying CIS.

(b) **Disclosure of Additional Risk:** An AMC shall specifically disclose additional underlying risk to all the stakeholders specifically to the unitholders of the respective Investment Plans that in case of initiation of any legal proceeding or any case is filed against the CIS impacting any Investment Plan(s), may also affect the unit holders of other Investment Plan(s) under the same CIS.

(c) **Separate Investment Plan Report:** An AMC will ensure that its Fund Manager Report (FMR) includes a summary page for a CIS with underlying Investment Plans providing

[97] SECP Circular No. 17 of 2026 dated July 24, 2026.

details including but not limited to date of launch/IOP of the CIS/Plan, number of Investment Plans (Total, Active, Matured), respective maturities of each Plan, Risk Profile of the CIS, Risk Profile of Each Plan, cumulative Net Assets of the CIS and details of expenses at CIS level (Audit Fee, Shariah Advisory Fee, Rating, Formation Cost Amortization and other similar details). Furthermore, the FMR shall include a separate Investment Plan Report for each Investment Plan, as per the format prescribed by MUFAP. In case of Asset Allocation Plans and Active Asset Allocation Plans under Fund of Fund structure, the asset allocation, sector allocation (where applicable) and top ten holdings of underlying CIS(s) shall also be disclosed.

3.22.4 **General Requirements for Offering of Investment Plans:**

a) Relevant information including subscription period, plan duration, investment policy, authorized investments, risk profile, performance benchmark, management fee, sales load and/or contingent load (if any), designated bank account titles, risks disclosures, total expense ratio, and any other particular details unique to the Investment Plan, must be disclosed in the Offering Document/Supplemental Offering Document through which the Investment Plan(s) is being offered/launched;

b) The AMCs shall give at least a week's time to the prospective investors of the Investment Plans for studying the respective Offering Document;

c) The Pre-IOP subscription in all the Investment Plans being offered under the CIS shall only be initiated once a definite date for IOP is announced where such period shall not exceed a total of sixty (60) days;

d) The amounts/investments received during the Pre-IOP period shall remain locked-in till the date of IOP of the Investment Plans subject to an explicit disclosure at time of investment to the Pre-IOP investors regarding the lock-in period;

e) The aggregate proceeds of all Units issued from time to time by each of the Investment Plan, after deducting Duties and Charges, Transactions Costs and any applicable Sales Load, shall constitute part of the Trust Property. The property of each Investment Plan shall always be kept as separate property and in no way assets and liabilities of one Investment Plan shall be merged with any other Investment Plan. However, the trust property shall comprise of the assets of all Investment Plans launched under a CIS from time to time through an offering document or a supplemental Offering Document;

f) All Units and fractions thereof, of an Investment Plan under the CIS shall represent an undivided share in that respective Investment Plan, and shall rank pari passu according to the number of Units held by each Unit Holder of that Investment Plan, including as to the rights of the Unit Holder(s) in the Net Assets, earnings and the receipt of the dividends and distributions; and

g) An AMC shall compute and announce net asset value (NAV) of each Investment Plan(s) being managed by it, separately on a daily basis, latest by the time as specified in SECP Circular No. 11 of 2009 dated March 26, 2009 or as amended from time to time. This announcement shall be made available on the AMC's own website as well as on MUFAPs website.

3.22.5 **Expenses Chargeable to the Investment Plans:**

(a) **[Management Fee Caps (M-Fee Caps):** The M-Fee Caps for respective Investment Plans, as mandated under the Regulations for each category of CIS, shall be applicable with effect from July 1, 2025 without exception, in conformity with the corresponding category of the CIS. This application is to be proportionate to the net assets of each Investment Plan under the CIS.
Provided that the earlier Total Expense Ratio Caps for CIS shall remain applicable until June 30, 2025][98]

(b) **Formation Cost and its Amortization:** The formation cost, as per Regulation 60(2) read with Schedule XX, applies proportionately to the Investment Plans being offered under CIS. Formation cost shall not exceed 1.5% of the net assets at the close of the IOP for the first Plan(s), offered individually or simultaneously, or ten million rupees whichever is lower. Formation cost shall be amortized over a period of five years:

Provided that where the formation cost is not entirely amortized and the AMC introduces a new Investment Plan, the unamortized portion of the formation cost will be distributed proportionately among all operational Investment Plans based on the respective Net Assets at the close of the IOP for each Investment Plan. However, any initial expenses directly associated with the launch of the first Investment Plan(s) will not charged from the subsequently launched plans, and vice versa.

Provided further that any Investment Plan(s) launched after the expiry of 5 years from the date of the first amortization of the formation cost for the respective CIS, such CIS or Investment Plan shall not bear or amortize any expenses incurred under the head of formation cost for the subject CIS.

(c) **Other Expenses:** All the expenses mentioned in Schedule XX of the Regulations as may be amended from time to time, incurred directly by an Investment Plan shall be charged to the respective plan. Where the expenses are incurred for the CIS as a whole like Audit, Rating, Shariah Advisory fee etc., such expenses shall be allocated among the Investment Plans in proportion to the Net Assets of the respective Investment Plans.

3.22.6 **Applicable Fees on Investment Plans:**

(a) An AMC shall file an application for seeking approval of the Commission for Investment Plans either through an offering document or a supplemental offering document in terms of Regulation 54 or Regulation 44(8) read with Regulation 54 of the Regulations along with a receipt evidencing the payment of non-refundable processing fee for each Investment Plan as specified in the Regulations; and

(b) In terms of Regulation 62 of the Regulations, an Investment Plan shall deposit a non-refundable monthly fee in proportion to its net assets. This fee is to be in accordance

[98] SECP Circular 11 of 2025 dated May 21, 2025.

with the prescribed rates specified for the respective category of the CIS as delineated under clause "C," Serial No. 2 of Schedule II of the Regulations:

Provided that in case of Fund of Fund Schemes, the non-refundable monthly fee shall be paid in proportion to the net assets of each Investment Plan invested in cash and near cash instruments in accordance with the prescribed rate specified for the Money Market Scheme as delineated under clause "C", Serial No. 2 of Schedule II of the Regulations.

3.22.7 All general CIS operational requirements in terms of the Regulations, Circulars and or Directions, including but not limited to net asset calculation, net asset value calculation and dissemination, pricing, unit issue and redemption, connected party transactions, extinguishment/revocation and other requirements shall equally be applicable to the operations of an Investment Plan unless explicitly specified otherwise.

3.22.8 The CIS which are not compliant with above mentioned requirements shall ensure compliance within 180 days from the date of issuance of this Circular (*i.e. Circular 25 of 2024 dated December 23, 2024*).

3.22.9 In case of inability to observe, AMCs may approach the Commission for such further relocation as may be deemed appropriate on case-to case basis.

3.23 Additional Disclosures for Existing Fixed Periodic Payment /Drawdown Plans and Restriction on New Investor Participation[99]

3.23.1 All Asset Management Companies:

a) shall ensure that investors who have opted for Fixed Periodic Payment/ Drawdown option under their Scheme(s) and/ or Investment plan(s) are provided with the following enhanced disclosure:

Breakup of Fixed Periodic Payment/ Drawdown Plan

Name of Scheme/ Investment Plan	Fixed Periodic Payment	Profit Payment	Principal Withdrawal
	Rupees...		
Formula	A=B+C	B	C

The above disclosure shall be incorporated in monthly account statements of all existing unitholders availing the Fixed Periodic Payment option or appended thereto as an annexure, with effect from the date of issuance of this direction.

b) shall facilitate any investor who wishes to switch to a flexible / variable periodic payment option.

c) shall not further offer the Fixed Periodic Payment option, by whatever name called, to any new or existing investor after the date of this directive.

[99] SECP Direction 15 of 2025 dated July 03, 2025.

3.23.2 AMCs shall submit the status of implementation of aforementioned disclosure to unitholders in their account statements with MUFAP which shall compile and submit the consolidated information to Commission.

Template for KFS **Annexure IIIA**

Key Fact Statement of

(Name of CIS/ Investment Plan)

Type *(Open end/Closed End)*

(Category of CIS/ Plan)

Managed by (Name of Asset Management Company)

Risk Profile: ______

Issuance Date: xxx (updated as of xxx with reference to latest applicable SOD)

1. DISCLAIMER

Before you invest, you are encouraged to review the detailed features of the Fund and its Investment Plans in the offering document and/or Monthly Fund Manager Report.

2. KEY ATTRIBUTES

Investment objective of CIS/ Investment Plan	
Authorized investment avenues	
Launch date of CIS/Investment Plan	
Minimum Investment Amount	
Duration (Perpetual/Fixed Maturity; in case of fixed maturity, date of maturity must also be disclosed)	
Performance Benchmark (For conventional fixed return schemes, disclose the promised return. For Shariah-compliant fix return CIS, expected return shall be disclosed).	
IPO/Subscription Period	
Subscription/Redemption Days and Timings	
Types/ classes of units	
Management Fee (% Per Annum)	

3. BRIEF INFORMATION ON THE PRODUCT CHARGES

1. Front End Load (FEL)	**Distribution Channel**	**Percentage**
	Direct Investment through AMC	

	Digital Platform of AMC/ Third party	
2. Redemption Charge	**Type of charge**	**Percentage**
	Back end Load	
	Contingent Load	

Total Expense Ratio (TER)

Investors are advised to consult the Fund Manager Report (FMR) of the respective CIS/Investment Plan for the latest information pertaining to the updated TER.

Applicable Taxes

Disclaimer- Income earned in the form of dividend or capital gain shall be charged at a rate as specified in Income Tax Ordinance 2001.

4. KEY STAKEHOLDERS

a. Asset Management Company (Name and contact details);
b. Trustee (Name and contact details); and
c. Shariah Advisor (if applicable- Name and contact details).

CHAPTER 4
DISCLOSURE REQUIREMENTS

Requirements for Assessing Suitability and Risk Categorization of Collective Investment Schemes (CIS)[100]

4.1 [AMCs shall classify CIS and investment plans as per the following risk profiles:

Category of CIS/Plans based on investment policy	Risk Profile	Risk of Principal Erosion
Money Market Funds with no exposure in corporate commercial papers [and/or short term Sukuk][101].	Very Low	Principal at very low risk
Money Market Funds with investment in corporate commercial papers [and/or short term Sukuk][102], Capital Protected Funds (non-equity), Income Funds with deposits/placement in A or above rated banks/ DFIs and investment in Government Securities or Government backed Sukuks. Weighted average duration of portfolio of securities shall not exceed six (6) months.	Low	Principal at low risk
Income Funds with investment in AA rated corporate debt instruments, MTS and spread transactions. Weighted average duration of portfolio of securities shall not exceed two (2) years.	Moderate	Principal at moderate risk
CPP I Strategy Based Funds, Income Funds (where investment is made in fixed rate instruments or below A rated banks or corporate sukuks or bonds, spread transactions, Asset Allocation and Balanced Funds (with equity exposure up to 50% mandate).	Medium	Principal at medium risk
Equity Funds, Asset Allocation (with 0 - 100% Equity exposure mandate) and Balanced Funds (with 30 - 70% Equity exposure mandate), Commodity Funds, Index Trakker Funds and Sector Specific Equity Related Funds.	High	Principal at high risk

][103]

4.1.1 AMCs shall ensure that standard risk profile of CIS/plans as per above table are printed in prominently visible form on the front page of offering document, investment forms and in the fund manager report.

4.1.2 AMCs shall formulate and maintain policies and procedures with respect to their obligation to ensure suitability of CIS/plans to the investor.

[100] SECP Circular No.2 of 2020 dated February 06, 2020.
[101] Added by SECP Circular No. 11 of 2022 dated October 13, 2022.
[102] Added by SECP Circular No. 11 of 2022 dated October 13, 2022.
[103] Replaced by SECP Circular No. 6 of 2022 dated June 09, 2022.

4.1.3 AMCs shall develop investor risk profiling mechanism for assessment of suitability of CIS/plan to the potential investor.

4.1.4 AMCs shall ensure that the risk-profiling related document is duly read, dated and signed by the investor prior to making an investment. In case of sale of a high-risk CIS/plan to an investor who has been profiled as a low risk, AMCs shall establish appropriate mechanism to validate product suitability such as standard phone calls/SMS/Emails within the cooling-off period.

4.1.5 All other investments allowed in various categories under circular No. 7 of 2009 will remain same[104].

4.2 Disclosure requirements for the CIS holding Non-compliant investments[105]

The AMCs shall make the following minimum disclosures for open-end schemes which hold non-compliant investments.

4.2.1 **Disclosure in the Offering Documents (risk section)**

"There may be times when a portion of the investment portfolio of the Scheme is not compliant either with the investment policy or the minimum investment criteria of the assigned 'Category'. This non-compliance may be due to various reasons including, adverse market conditions, liquidity constraints or investment —Specific issues. Investors are advised to study the latest Fund Manager Report specially portfolio composition and Financial Statements of the Scheme to determine what percentage of the assets of the Scheme, if any, is not in compliance with the minimum investment criteria of the assigned Category. The latest monthly Fund Manager Report as per the format prescribed by Mutual Funds Association of Pakistan (MUFAP) is available on the website of the Asset Management Company (AMC) and can be obtained by calling /writing to the AMC."

4.2.2 **Disclosure in Advertisement**

The following disclosure shall be made separately from the standard risk disclosure prescribed for Schemes: -

"The XYZ Scheme holds certain non-compliant investments. Before making any investment decision, investors should review the latest monthly Fund Manager Report and financial statements of the Scheme particularly the details of non-compliant investments and Risk Factors."

4.2.3 **Disclosure in the Fund Manager Report, Quarterly, Half-Yearly & Annual Financial Statements**

Details of non-compliant investments with the investment criteria of assigned category

Name of the non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets

[104] SECP circular No. 32 of 2020 dated October 22, 2020
[105] SECP Circular No. 16 of 2010 dated July 07, 2010

4.2.3.1 The AMCs shall:

(a) ensure that a copy of latest monthly Fund Manager Report ("FMR") of the scheme containing the above stated minimum disclosures is available at its website and a copy of said FMR shall be submitted to the Commission simultaneously.

(b) disclose the credit quality/asset quality of portfolio of the Scheme in monthly FMR if the portfolio of the scheme contains any debt securities or other credit exposure.

(c) The Trustee of scheme shall not hold redemption(s) if usage of such cash for redemptions results in the cash balance falling below the minimum requirement. However, the AMC shall ensure that other assets are sold in due course of time (if possible without impacting investors' interests) or cash is generated through new subscriptions to comply with the minimum cash and near cash requirements. For the purpose of this circular the minimum cash and near cash requirements shall be calculated on the basis of the average for each calendar month.

4.2.4 For the purpose of peer group analysis or return comparison of the schemes within the same category, the basis should be underlying portfolio and not merely the assigned category.

4.2.5 Trustees of the schemes shall monitor compliance with the requirements of this circular on an ongoing basis and shall report to the Commission on a timely basis, in case there is any non-compliance or deviation.

4.2.6 **Additional requirements for AMCs when disclosing information in the FMR**[106]

4.2.6.1 For all categories of Collective Investment Schemes (CIS):

i All expenses (as mentioned in Regulation 60(6) of NBFC & NE Regulations, 2008) shown as percentage of net assets, should depict the actual charge for the respective period instead of maximum allowable limit in Regulations or constitutive documents.

ii A disclosure statement regarding the Sales Load shall be included in the FMR as follows:
"Please be advised that the Sales Load (including Front-End Load, Back-End Load and Contingent Load) up to 3.00% or 1.5%, as may be applicable, may be charged on the investment and/or upon redemption of funds, at the discretion of the Management Company."

iii Monthly Portfolio Turnover ratio for the CIS shall be included.

iv Monthly Information Ratio of the portfolio of CIS shall be included.

4.2.6.2 For categories of CIS with Fixed Income securities, quantitative measures of Yield to Maturity, Modified Duration and Macaulay's duration shall be included.

4.2.6.3 For categories of CIS with Equity securities, quantitative measures of Beta and Standard Deviation shall be included.

4.2.6.4 For Fixed return/term funds, comparative of benchmark return and committed return shall be included.

[106] SECP Circular No. 9 of 2025 dated March 27, 2025.

4.2.6.5 Additional requirements for FMR of Exchange Traded Funds include following:

- i Description of the Index.
- ii Historic comparison of tracking difference.
- iii For Debt/fixed income ETFs, credit ratings of the securities and rational by the management explaining the change in the index, if any, shall be included.
- iv Quantitative measures mentioned in Clauses B and C above, as applicable.

4.2.6.6 MUFAP shall establish a standardized methodology for calculating the quantitative measures outlined above, subject to approval of the SECP. This methodology shall be finalized and provided by MUFAP within 30 days from the issuance of this Circular (i.e. Circular 9 of 2025 dated March 27, 2025).

4.2.6.7 The disclosures specified herein shall be adopted by AMCs immediately upon receiving approval of the methodology by MUFAP from SECP. *[Methodology for calculation of quantitative measures, as required under Circular 9 of 2025, has been approved by SECP on July 25, 2025]*

4.3 Calculation and disclosure of Total Expense Ratio[107]

The AMCs shall comply with the following requirements in respect of calculation and disclosure of Total Expense Ratio ("TER") of the Collective Investment Scheme ("CIS") managed by them:

4.3.1 The AMCs shall calculate the TER in respect of each CIS in the following manner:

Total Expenses of the CIS ÷ Average Net Asset Value of the CIS

where:

(a) Total Expenses means the sum of daily expenses of the CIS.

(b) Average Net Asset Value means the sum of daily net assets.

4.3.2 The AMCs shall adjust the NAV of the CIS on the basis of TER at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) of the Regulations for that CIS by booking liability against AMC. Moreover, the reimbursement (if any) by an AMC to CIS shall be made on the basis of annual TER calculated at the end of each financial year and NAV shall be adjusted accordingly. The Trustee of the CIS shall ensure compliance in this regard.

4.3.3 The AMC shall disclose TER in respect of each CIS managed by it in the monthly Fund Managers Report ("FMR") and also in periodic financial statements of the CIS. For the purpose of disclosure in FMR and financial statements, the TER shall be calculated inclusive of the costs incurred in relation to any government levy on CIS such as sales tax, Worker's Welfare Fund or SECP fee etc. and the same shall be mentioned that this include XX% representing government levy, Worker's Welfare Fund and SECP fee.

[107] SECP Direction No. 23 of 2016 dated July 20, 2016(not available)

[Explanation: It is hereby clarified that the specified Total Expense Ratio (TER) caps for different categories of Collective Investment Schemes (CIS) in terms of Regulation 60(5) of the NBFC & NE Regulations, 2008, must be adhered to by the Asset Management Companies, at all times during the life of the CIS/Investment Plan/Fund and not for any particular period (i.e. monthly or yearly basis). The Asset Management Companies are hereby advised to ensure requisite compliance by September 30, 2024 without fail, for the CIS/Investment Plan.][108]

4.4 Placement of Constitutive Documents of Collective Investment Schemes by AMC on Website[109]

4.4.1 The AMCs shall place the approved constitutive documents of all the collective investment schemes under their management on their respective websites.

4.4.2 In case of any amendments made in the constitutive documents through supplemental constitutive documents approved by the Commission, an AMC shall place the updated and consolidated constitutive documents (with notes referring to the supplemental constitutive document highlighting the change made in the original document/ clauses), along with the original and supplemental/restated constitutive documents separately on its website. The updated constitutive documents shall be placed immediately or after completion of the duration of the notice period, as the case may be. Furthermore, the updated constitutive documents shall clearly specify the last date of updation i.e. "XYZ fund updated up to DD/MM/YY”

4.5 Disclaimer on Use of Name and Logo of Bank/Sponsor by Asset Management Companies.[110]

All Asset Management Companies (AMCs) to place following additional disclaimer in all modes of communication with their investors:

"Use of the name and logo of (bank/sponsor) as given above does not mean that it is responsible for the liabilities/obligations of (asset management company) or any investment scheme managed by it."

All AMCs shall ensure compliance with above requirement within 90 days of this circular *(i.e. Circular 29 of 2021 dated October28, 2021)*.

Any non-compliance will be dealt in accordance with prevalent regulatory framework.

[108] SECP Clarification issued vide Email dated September 04, 2024.
[109]SECP Circular No. 14 of 2014 dated June 05, 2014
[110] SECP Circular No.29 of 2021 dated October 28, 2021

CHAPTER 5
CONSTANT PROPORTION PORTFOLIO INSURANCE (CPPI) BASED SCHEMES

Requirements for Constant Proportion Portfolio Insurance (CPPI) based Collective Investment Schemes[111]

The AMCs shall comply with following requirements in respect of Collective Investment Schemes (CIS) under their management, based on Constant Proportion Portfolio Insurance (CPPI) methodology or any modified version of such methodology:

5.1 An AMC may use a maximum Multiplier of up to 5 times to arrive at exposure in risky assets including equity instruments without any cushion value percentage restrictions, subject to the condition that exposure in risky assets including equity instruments shall not exceed 50% of the net assets of the Constant Proportion Portfolio Insurance based CIS/plan.[112]

Further, where an AMC locks-in the profit, it shall add the profit to the Bond Floor (present value of the amount on maturity date of the CIS) and recalculate the Cushion Value accordingly.

5.2 The AMCs shall exercise prudence while ensuring compliance with the Circular and taking into consideration the long-term interests of the unitholders of Fund of Funds (where applicable) and those of the underlying CIS.

5.3 An AMC shall immediately rebalance the asset composition of the CIS in accordance with its & approved methodology disclosed in the offering documents of the CIS, at least on 5%[113] decline in Portfolio Value of the CIS from the previous rebalancing or on weekly basis, whichever falls earlier.

5.4 An AMC shall use the running yield of the underlying fixed income asset or fixed income CIS, in case of Fund of Funds, to compute the Bond Floor daily on the following basis:

(a) For direct investment in money market instruments, it shall be the present relevant yield of the government security with a similar maturity.

(b) For investment through money market mutual funds, the actual yield of the fund based on current portfolio.

The AMC may use a more conservative yield to determine a Bond Floor that is higher than the one derived after using a yield as specified in the above clauses.

5.5 The Board of Directors of the AMC shall formulate and approve liquidity management policy that enables timely reallocation of portfolio to effectively achieve investment objective of the CIS.

[111] SECP Circular No. 18 of 2015 dated May 15, 2015
[112] SECP Circular No. 08 of 2019 dated May 28, 2019
[113] SECP Circular No. 30 of 2017 dated November 24, 2017

5.6 An AMC shall disclose the range (minimum and maximum) of Multiplier applied for every CIS based on CPPI methodology in its monthly Fund Manager Report.

5.7 In case of Fund of Funds based on CPPI methodology, the AMC shall exercise fair and equitable treatment of interests of direct investors of the underlying funds (through which the Fund of Funds take exposure) versus the investors of the Fund of Funds.

5.8 A CPPI based CIS/plan launched under the category fund of funds shall take equity exposure only through dedicated equity funds.[114]

[114] SECP Circular No. 30 of 2017 dated November 24, 2017

CHAPTER 6
EXCHANGE TRADED FUNDS (ETFs)

Minimum Requirements for Exchange Traded Funds (ETFs) to be managed by AMCs[115]

In order to facilitate the launch of Exchange Traded Funds (ETF's) in Pakistan, the Securities and Exchange Commission of Pakistan ("the Commission"), in addition to the requirements as laid down in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the "NBFC Rules") and the Non-Banking Finance Companies & Notified Entities Regulations, 2008 (the "NBFC Regulations"), has decided to revamp the framework for regulation of Index Tracking Exchange Traded Funds.

Therefore, in exercise of the powers conferred under section 282B (3) of the Companies Ordinance, 1984, read with the NBFC Regulations, 2008 the Commission hereby prescribes the following minimum requirements for Index Tracking ETFs:

The requirements for ETFs encompass the following aspects:

i. Eligibility
ii. Definitions
iii. Name of Scheme, investment objectives and Acceptability of Index
iv. Investment Restrictions
v. Issuance and redemption of creation units
vi. Pricing and Dealing
vii. Authorized Participants
viii. Market Maker
ix. Dealing of ETF units on the stock exchange
x. Dissemination of information
xi. Fee and Expenses
xii. Non-Applicability of Regulations 37(7)(h), 41(k), 54(3a), 57 and clause 16(h) of schedule XIX of the NBFC Regulations

6.1 Eligibility

A Non-Banking Finance Company licensed by the Commission to provide Asset Management Services, i.e. AMC is eligible to launch index tracking ETFs. An AMC shall ensure that in addition to the provisions of the NBFC Rules and the NBFC Regulations pertaining to Collective Investment Schemes that are not otherwise modified, relaxed or waived, an ETF complies with all the requirements specified hereunder.

6.2 Definitions

(a) **Authorized Participant ("AP")** means an entity appointed by an AMC authorized for Creation and Redemption of ETF Creation Unit as per the terms of Authorized Participant Agreement. Following entities are eligible to act as Authorized Participant:

[115] Replaced by SECP Circular No. 20 of 2021 dated 23 June, 2021

i A Securities Broker, as defined in the Stock Exchange Regulations, operating in active status.

ii A Banking Company, as defined under the Banking Companies Ordinance, 1962.

iii A Development Finance Institution (DEI). and

iv Any other company permitted by the Commission.

(b) **Authorized Participant Agreement ("APA")** means an agreement entered into between the AP, Trustee and the AMC setting out the roles and responsibilities of each party and includes, among other things, the terms and procedures to be adopted by the AMC & AP for the issuance and redemption of Creation units. Minimum contents of the APA are specified in **Annexure-IV.**

(c) **Benchmark Index** means the Index approved by the Commission, is specified in the Constitutive Documents of the ETF (the "Constitutive Documents") and against which the performance of ETF is measured.

(d) **Cash component** means the difference between the applicable Net Asset Value (NAV) of a creation unit and the market value of the Portfolio Deposit. The Cash component will represent accrued dividend, accrued annual charges including management fees and residual cash in the scheme.

(e) **Creation unit** means the specified number of ETF units for issuance or redemption as determined by the AMC and disclosed in the Constitutive Documents.

(f) **ETF** means Exchange-Traded Fund, which is a listed index-tracking open-end fund structured as a Collective Investment Scheme. The primary objective of the ETF is to mimic the return of a particular benchmark index by investing substantially all of its assets in the constituent securities of the benchmark index. ETF shall issue and redeem Creation units in-kind through AP only.

(g) **ETF unit** is a unit of open-end scheme that tracks a benchmark index and is listed on the stock exchange and may be bought and sold like any other share on the stock exchange.

(h) **INAV** means Intra-day Net Asset Value calculated on a current basis (with regular intervals) after incorporating the price change of underlying securities throughout a business day. INAV is indicative current basis Net Asset Value of an ETF unit that facilitates trading of ETF in the secondary market.

(i) **In-kind Creation** means a portfolio of securities and the cash component to be delivered to the AMC, by an AP either on its own account or on behalf of its clients for creation of ETF units.

(j) **Market Maker ("MM") means** an entity as defined in the Stock Exchange Regulations, and who is appointed by the Exchange, responsible to provide liquidity on the Exchange during trading hours as per the terms of Market Maker Agreement entered between the Exchange and the Market Maker.

(k) **Portfolio Deposit** means a pre-defined basket of securities that represents the benchmark index together with a cash payment (if applicable) for the purposes of issuance and redemption of Creation units and will be announced by the AMC, and composition of the Portfolio Deposit may change from time to time.

(l) **Tracking Error** means the standard deviation of the difference between daily returns of an ETF and that of the underlying Benchmark Index and NAV of the ETF for any given period.

(m) **Tracking difference** measures the actual under- or outperformance of the fund compared to the underlying reference index. Tracking difference is defined as the total return difference between a fund and its underlying reference index over a certain period of time. Terms not defined here shall have the same meaning as assigned in the NBFC Rules, the NBFC Regulations, and Regulations of the Stock Exchanges.

6.3 Name of Scheme, Investment Objective and Acceptability of Index

6.3.1 AMC shall ensure that in addition to compliance with the minimum disclosure in the Offering Document of a Collective Investment Scheme prescribed under the Regulations, it complies with the additional disclosure requirements in the Offering Document of an ETF, as specified in **Annexure-V** to this Circular.

6.3.2 AMC shall ensure that name of the scheme appropriately reflects the nature of an ETF, i.e. the name of the ETF shall clearly specify the benchmark index it aims to track and 'index tracking' shall be appropriately stated in the name of the scheme.

6.3.3 The acceptability of a benchmark index which is to be tracked by an ETF shall be assessed on the basis of the following criteria:

Equity ETF shall.	Debt ETF shall.
(a) have a clearly defined objective.	(a) Have a clearly defined objective. be
(b) be investible.	(b) Investible be.
(c) appropriately reflect the characteristics of the relevant market or sector.	(c) Be able to fairly reflect price movements of its component securities.
(d) be able to fairly reflect price movements of its component securities, and change the composition and weightings of the component securities.	(d) appropriately reflect the characteristics of the relevant sector if any.
(e) be broadly based and be sufficiently liquid with no one component security constituting more than 20% of the total value of the ET F. However, such limit on an individual scrip shall not apply in case of well recognized indices.	(e) be broadly based and be sufficiently liquid with no one component security constituting more than 25% of the total value of the ETF. However, such limit shall not apply on a debt ETF which invests in debt securities issued by Federal or Provincial Government.
(f) be transparent, shall conveniently be accessible by investors and published in an appropriate manner. and	(f) rating of any security in the Debt ETF portfolio shall not be lower than investment grade.

(g) be based on securities listed and traded on a stock exchange in Pakistan.	Provided that debt ETF categorized as money market shall not have securities in its portfolio with lower than double A (AA) rating. (g) be transparent, shall conveniently be accessible by investors and published in an appropriate manner. (h) securities in the index with a defined credit rating. Provided Debt ETF categorized as money market shall have securities with defined maturity only and defined credit rating.

Provided that a debt ETF may be categorized as income or money market ETF.

Provided further that a hybrid ETF may have benchmark index which can be a combination of both Equity ETF and Debt ETF benchmark indexes criteria as explained above.

6.3.4 Where the strategy of the benchmark index to be adopted is to meet the investment objective involving investment in a particular style, asset class, economic sector, market or geographical area, the management company must ensure that an appropriate portion of the ETF is invested in accordance with that intention.

6.3.5 Furthermore, the Commission may require an independent review of the proposed index by the Exchange or any other third party, to assess the criteria stated above.

6.3.6 AMC shall ensure that the underlying index to be tracked by the ETF shall fulfill all the eligibility requirements as stated in clause 3 above.

6.3.7 The Commission may withdraw registration of an ETF if its index no longer complies with the requirements of above stated clause 3.

6.3.8 Each ETF must have one market maker appointed by the exchange on which the ETF is listed and one authorized participant. Provided both the roles can be performed by one entity.

6.3.9 AMC shall immediately notify the Commission, the stock exchange on which the ETF is listed and the underlying unit holders of the ETF in case of any event that may adversely affect the acceptability of the benchmark index in accordance with the above stated clause 3 and such adverse events include but are not limited to a change in the:

(a) basis of composition or calculation of the benchmark index.

(b) objective or characteristics of the benchmark index.

(c) composition of the benchmark index such as, due to inclusion or deletion of any security. or

(d) weightage of the benchmark index constituents such as due to corporate activities (e.g. mergers and acquisitions) or significant market movements.

6.4 Investment Restrictions in an ETF

6.4.1 AMC shall ensure that the weightage of the component securities in the ETF are based on the entire component securities (full replication) of the benchmark index except where the ETF is unable to fully replicate the benchmark index due to market limitations, deviation of up to 15% is acceptable provided that such parameters and features are defined in detail in the Constitutive Documents. The Commission under special cases may allow partial replication of an index by an ETF subject to compliance with clause 3 above.

6.4.2 Subject to the conditions mentioned in clause 10 above, variation between the benchmark index and the ETF allocation of 10% is permissible in each scrip forming part of the ETF. Any variation beyond the 10% limit described above which may be caused by a movement in market prices of constituent scrips or corporate actions, may be rectified in the next rebalancing/reconstitution.

6.4.3 AMC shall ensure that at all times, at least 85% of the assets of the ETF remain invested in the component securities of the benchmark index being tracked by it, while the remaining assets may comprise of cash or cash equivalents.

6.4.4 In case of an equity ETF and hybrid ETF an AMC shall ensure that per party, per group and sector exposure limits and restrictions in relation to the equity securities held by the equity ETF and hybrid ETF are in accordance with their weightage in the benchmark index. Any non-compliance or breach of such investment limits shall be rectified within 3 business days.

6.4.5 In an event where the credit rating of a security falls below the investment grade or rating mandated in the index methodology, rebalancing by debt ETF/hybrid ETF shall be done within a period of 5 business days.

6.4.6 AMC, to ensure proper and efficient management of the ETF, shall define in the Constitutive Documents, the parameters for the level of cash and cash equivalents to be maintained by the ETF.

6.5 Issuance and Redemption of Creation Units

6.5.1 AMC shall ensure that:

(a) APA sufficiently covers details of the procedures to be adopted by the AMC, AP and Trustee for issuance and redemption of Creation units and shall submit copy of the same to the Commission for its record. and

(b) All requests for issuance and redemption of Creation units are originated or routed through the AP only.

6.5.2 AMC may change the Creation Unit size of an ETF only if permitted by the Constitutive Documents and shall be subject to the prior approval of the trustee and the Commission. Any change approved in the Creation Unit size shall be intimated by the AMC in writing to the stock exchange where the ETF is listed at least 3 working days prior to the effective date of such change.

6.5.3 AMC shall ensure that the expenses and other charges are adequately disclosed in the Constitutive Documents and an estimate of the expenses and other charges shall be reviewed regularly and revised, if necessary.

6.5.4 AMC shall ensure that all provisions and procedures relating to issuance and redemption of Creation units are adequately and clearly disclosed in the Constitutive Documents.

6.5.5 The Trustee of an ETF shall issue or redeem Creation units only upon the instructions of AMC subject to compliance with the procedures specified in the NBFC Rules, the NBFC Regulations, the APA and the Constitutive Documents.

6.5.6 The Trustee of an ETF shall ensure issuance of Creation units upon completion of transfer of title of the portfolio deposit and cash component in the name of the ETF.

6.6 Pricing and Dealing

6.6.1 AMC shall issue or redeem Creation units only at the NAV calculated in accordance with the Constitutive Documents.

6.6.2 AMC shall ensure that the issuance and redemption of Creation units with AP are priced on the basis of NAV of the ETF. However, the unit of the ETF shall trade on the stock exchange on the basis of the market price.

6.6.3 AMC shall ensure that the INAV per unit and the end of day NAV per unit are calculated on the basis of a process and criteria which is consistently applied by the AMC or the third-party to whom this function is delegated to ensure that the valuations are objective and independently verifiable.

6.6.4 AMC shall carry out determination of the INAV per unit on a current (with regular interval) basis, within a business day as deemed necessary by the AMC and as specified in the Constitutive Documents. The AMC shall ensure that INAV is disseminated to the stock exchange on which the ETF is listed on a current basis (with regular interval) and as per the disclosures made in the Constitutive Documents.

6.6.5 AMC may delegate calculation of INAV to an independent third-party subsequent to ensuring that the said party possesses requisite financial, human and technological resources available to perform the delegated function satisfactorily. Notwithstanding delegation of this function to an independent party, an AMC shall be fully responsible for proper calculation and timely dissemination of INAV on the basis disclosed in the Constitutive Documents.

However, the responsibility of AMC shall not be applicable due to circumstances beyond its control such as force majeure, failure or malfunctioning of hardware/software despite the best efforts of an AMC or the third party to which such function is delegated and virus or cyber-attack despite the fact that anti-virus and other reasonable measure were in place.

6.6.6 The Trustee of an ETF shall ensure that issuance and redemption of Creation units is done on pricing basis disclosed in the offering document by the AMC and any transfer of underlying securities into and out of the ETF is also based on the valuation used in determining the ETF's NAV.

6.7 Authorized Participants

6.7.1 AMC shall ensure that the APs have sufficient resources and capabilities to satisfactorily fulfill its role and obligations and comply with the requirements on an ongoing basis.

6.7.2 AMC shall ensure that the ETF has AP at all times who shall be appointed by the AMC for the purpose of In-kind issuance and In-kind redemption of Creation units with ETF under the APA.

6.8 Market Makers

6.8.1 AMC shall ensure that the MMS have sufficient resources and capabilities to satisfactorily fulfill their roles and obligations and comply with the requirements on an ongoing basis.

6.8.2 AMC shall ensure that the ETF has MM who are appointed by the Exchange, responsible to provide liquidity on the Exchange during trading hours as per the terms of Market Maker Agreement entered between the Exchange and the Market Maker.

6.9 Dealing of ETF Units on The Stock Exchange

6.9.1 AMC shall ensure that an ETF complies with the listing requirements and any other regulations of the stock exchange on which it is listed on an ongoing basis.

6.9.2 In the event trading in ETF units is suspended, AMC shall ensure that before resumption of trading of such ETF units, it notifies the Commission in writing of the effective date of the proposed resumption.

6.9.3 The trustee of an ETF shall not process or facilitate any request for issuance or redemption of Creation Units during the period of suspension of trading in ETF units on the stock exchange.

6.9.4 Trading in ETF units on the exchange may continue during the period of suspension of issuance and redemption of ETF units.

6.9.5 AMC shall ensure that in the event it requests for de-listing of an ETF, it shall immediately inform the Commission in writing stating its reasons, rationale and circumstances for such delisting.

6.10 Dissemination of Information

6.10.1 AMC shall ensure that information as stated below is disseminated to the public on regular and timely basis:

(a) AMC or third party on behalf of an AMC shall disclose the following information regarding ETF:

Components	Frequency			Measured
	Equity ETF	Debt ETF	Hybrid ETF	
ETF Market Price	Real Time	Last Day	Last Day or Real Time	Per unit
INAV	Current with regular interval	At least once in a business day	Current with regular interval or at least once in a business day	Per unit
Net Asset Value	Last day	Last day	Last day	Per unit
Units Outstanding	Last day	Last day	Last day	No of units
Accumulated Dividend	Last day	Last day	Last day	Per unit
Total Cash Component	Last day	Last day	Last day	Per creation unit
Benchmark Index	Real time	Last day	Last day or Real time	-

(b) AMC shall disclose in respect of an ETF the details including portfolio deposit, cash component and the number of units outstanding, on a daily basis to the Exchange on which the ETF is listed.

6.10.2 AMC may use other acceptable channels or modes of communication for dissemination of information relating to the ETF and the said modes may include:

(a) hyperlink to the website of the exchange or the AMC's own website.

(b) pages made available by information vendors to disseminate trading information of the ETF units in their ordinary course of business and which are easy accessible by retail investors/ general public.

(c) electronic medium for information dissemination as provided by the exchange from time to time. or

(d) any other channel considered acceptable by the Commission.

6.10.3 The Commission may from time to time require additional information to be disclosed on a real-time or any other basis, as it may deem necessary.

6.11 Fees and Expenses of ETF

6.11.1 AMC may charge to the ETF only those expenses that are directly related to and necessary for managing the operations of the ETF including Index license fee, maintenance or independent verification fee of an Index by a third party.

6.11.2 AMC shall ensure that all expenses chargeable to the ETF are properly and clearly disclosed in the Constitutive Documents.

6.12 Non-Applicability of Regulation 37(7)(h), 41(k), 54(3a) 57 and clause 16(h) of schedule XIX of the NBFC Regulations

6.12.1 The following requirements of the NBFC Regulations shall not apply in the case of an ETF:

(a) The requirement of brokerage limit of twenty five percent (25%) to any broker in an accounting year by fund under Regulation 37(7)(h).

(b) The requirement under paragraph 41(k) of the NBFC Regulations, whereby trustee shall ensure issuance of units after realization of subscription money provided that the trustee has received the underlying securities and cash component.

(c) The requirement of minimum fund size of Rs. 100 million in terms of Regulation 54(3a).

(d) The requirements and procedures for open-end schemes as specified under Regulation 57, except for sub-regulation (I) of the said Regulation.

(e) [The prohibition under clause 16(h) of schedule XIX from issuance of units for consideration other than cash, in case of in-kind issuance of Creation units of an ETF][116].

(f) The requirement relating to criteria for inve[i]sting in equity shares as laid in Circular No. 28 of 2021.

The Commission may, from time to time, specify additional requirements or such other conditions as it may deem fit. This Circular shall supersede Circular No. 15 of 2012 dated May 08, 2012.

[116] Clause (l) of regulation 58(1) of the NBFC Regulations replaced vide SRO 592(I)/2023 dated 17 May 2023.

Annexure-IV

Minimum Contents to be Covered in Authorized Participant (AP) Agreement

AP agrees to act as a market maker of the Fund (the ETF) and the AMC authorizes AP to create and redeem units of the fund in Creation Unit size or multiple thereof.
Both parties mutually agree to clauses relating to the following areas:

i. Adherence to Constitutive Documents, applicable Rules, Regulations, Laws and other procedures devised by AMC from time to time.
ii. Relationship and Role of each party to the agreement.
iii. Procedure for Creation and Redemption of units.
iv. Procedure for settlement of Cash Component.
v. AP intention to act as a Market Maker (which necessitates a separate Market Making Agreement with the Exchange).
vi. Fees (if any), and disclosure on charging of fee.
vii. Notification to AP by AMC for changes in index weights and composition.
viii. Indemnification from AP to AMC (to cover AMC for areas where AMC cannot regulate the AP).
ix. Availability of Information.
x. Standard format of notices and procedure to be exchanged between the parties.
xi. Procedure for making amendments to the Agreement.
xii. Effectiveness, Termination of Agreement and Dispute Resolution.
xiii. Governing Laws.
xiv. Definitions (other than those covered in the NBFC Regulations and this Circular). and
xv. Signatories to the Agreement and Witnesses.

Annexure-V

Minimum Additional Information to be Disclosed in Offering Document of ETF

AMCs shall ensure that the following disclosures are made in the offering document of an ETF in addition to the areas specified in Schedule VIII of the Regulations.

Introduction to ETF

i. Description of ETF highlighting the basic features.
ii. Advantages and disadvantages of ETF.
iii. Difference between ETF and other Open-ended Funds.
iv. Parties to an ETF. and
v. Description of how an ETF works through a flow chart.

Authorized Participant

i. Role, Duties and Responsibilities of Authorized Participants and Market Makers.
ii. Names and Contact information of Authorized Participants. and Market Makers and
iii. Salient features of Authorized Participant Agreement.

Benchmark Index

i. Profile of Benchmark Index.
ii. Constituent of Benchmark Index.
iii. Circumstances under which Benchmark Index of ETF may change.
iv. Disclosure of Risk Factors related to Benchmark Index.
v. Constituents of Benchmark Index and weightings of the top 10 largest constituent securities (where applicable) of the benchmark index as of a date within a month of the date of the offering document.
vi. Frequency with which benchmark index composition is reviewed.
vii. Means by which investors may obtain the latest benchmark index information and other important news of the index. and
viii. Target tracking error.

Offer/Redemption of Units

i. Offer of units during Pre-Listing phase (Initial Offer).
ii. Offer of units in Post-Listing phase.
iii. Procedure of In-Kind Creation.
iv. Procedure of In-Kind Redemption including monetary and time cost to the investor, and policy for partial shares.
v. Procedure of Trading of ETF units on exchange.
vi. Timeline for issuance and redemption of Creation Units. and
vii. Frequency and Notification of change in Portfolio Deposit.

INAV

i. Calculation Methodology of INAV.
ii. Mode and frequency of dissemination of INAV. and
iii. Entity responsible for transmitting INAV.

Warnings/Risks

i. Where necessary, a statement to the effect that the investment of the scheme may be concentrated in the securities of a single issuer or several issuers.
ii. A statement to the effect that there is no guarantee or assurance of exact or identical replication at any time of the performance of the benchmark index.
iii. Circumstances that may lead to tracking errors and the related risks, and strategies employed in minimizing such errors.
iv. A warning that benchmark index composition may change and underlying securities may be delisted.
v. A warning in relation to any licensing conditions (including indemnity given to the index provider, if any) for using the benchmark index, and the contingency plan in the event of cessation of the availability of the benchmark index.
vi. A warning of lack of discretion to adapt to market changes due to the inherent investment nature of index funds and that falls in the benchmark index are expected to result in corresponding falls in the value of the ETF.
vii. A statement on whether the index provider and the AMC of the scheme (or its connected persons) are independent of each other. If not, the means by which possible conflicts of interests may be addressed. and
viii. Any other information which is relevant and material for investors to make an informed investment decision.

CHAPTER 7
PERFORMANCE BENCHMARKS FOR COLLECTIVE INVESTMENT SCHEMES

Performance Benchmarks for Collective Investment Schemes (CIS)[117]

7.1 The AMCs shall use the followings performance benchmarks for the Collective Investment Schemes:

Sr #	Category of CIS	Benchmarks
1	Money Market	90% three (3) months PKRV rates + 10% three (3) months average of the highest rates on savings account of three (3) AA rated scheduled Banks as selected by MUFAP.
2	Shariah Compliant Money Market	90% three (3) months PKISRV rates + 10% three (3) months average of the highest rates on savings account of three (3) AA rated scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.
3	Sovereign Income	90% six (6) months PKRV rates + 10% six (6) months average of the highest rates on savings account of three (3) AA rated scheduled Banks as selected by MUFAP.
4	Shariah Compliant Sovereign Income	90% six (6) months PKISRV rates + 10% six (6) months average of the highest rates on savings account of three (3) AA rated scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.
5	Income	75% six (6) months KIBOR + 25% six (6) months average of the highest rates on savings account of three (3) AA rated scheduled Banks as selected by MUFAP.
6	Shariah Compliant Income	75% six (6) months PKISRV rates + 25% six (6) months average of the highest rates on savings account of three (3) AA rated scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.
7	Aggressive Income	90% twelve (12) months KIBOR + 10% twelve (12) months average of the highest rates on savings account of three (3) AA rated scheduled Banks as selected by MUFAP.
8	Shariah Compliant Aggressive Income	90% twelve (12) months PKISRV + 10% twelve (12) months average of the highest rates on savings account of three (3) AA rated scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.
9	Equity	KSE-100 Index Or KSE-30 Index (Total Return Index).
10	Shariah Compliant Equity	KMI-30 Index Or KMI All Share Index (Total Return Index)

[117] SECP Direction 24 of 2024 dated December 18, 2024. *(In supersession of earlier Direction No. 27 of 2016 dated August 25, 2016).*

Sr #	Category of CIS	Benchmarks
11	Sector Specific Equity / Shariah Compliant Sector Specific Equity	A Total Return Index, reflective of the investment universe of the CIS as may be approved by SECP on a case to case basis.
12	Balanced	60% of benchmark for Equity CIS + 40% of benchmark for Income CIS.
13	Shariah Compliant Balanced	60% of benchmark for Shariah Compliant Equity CIS + 40% of benchmark for Shariah Compliant Income CIS.
14	Fund of Funds	Benchmark of the respective category of Fund of Funds.
15	Shariah Compliant Fund of Funds	Benchmark of the respective category of Shariah Compliant Fund of Funds.
16	Commodity	Combination of 70% of relevant commodity's future contract at PMEX and 30% average of the highest rates on savings account of three (3) AA rated scheduled banks as selected by MUFAP.
17	Shariah Compliant Commodity	Combination of 70% of relevant commodity's future contract at PMEX and 30% average of the highest rates on savings account of three (3) AA rated scheduled Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP.
18	Index Tracker	Benchmark shall be the return of the Index being tracked by the CIS (Total return based).
19	Shariah Compliant Index Tracker	Benchmark shall be the return of the Shariah Compliant Index being tracked by the CIS. (Total return based).
20	Asset Allocation	Combination of performance benchmarks for Equity, Fixed Income and Money Market CIS on the basis of actual proportion held by the CIS.
21	Shariah Compliant Asset Allocation	Combination of performance benchmarks for Shariah Compliant Equity, Shariah Compliant Fixed Income and Shariah Compliant Money Market CIS on the basis of actual proportion held by the CIS.
22	Capital Protected	A combination to be used incorporating a mix of PKRV rates for the period corresponding to the maturity of CIS and the Equity Index based upon the percentage allocation.
23	Shariah Compliant Capital Protected	A combination to be used incorporating a mix of PKISRV rates for the period corresponding to the maturity of CIS and the Shariah Compliant Equity Index based upon the percentage allocation.
24	Constant Proportion Portfolio Insurance based	Combination of performance benchmarks for Equity Index and PKRV rates for the period corresponding to the maturity of CIS, on the basis of actual proportion held by the CIS.
25	Shariah Compliant Constant Proportion Portfolio Insurance based	Combination of performance benchmarks for Shariah Compliant Equity Index and PKISRV rates for the period corresponding to the maturity of CIS, on the basis of actual proportion held by the CIS.
26	Fixed Rate/Return	PKRV/PIB rates on the last date of IOP of the CIS with maturity period corresponding to the maturity of CIS.

27	Shariah Compliant Fixed Term	PKISRV rates on the last date of IOP of the CIS with maturity period corresponding to the maturity of CIS.

7.2 In addition to implementation of these prescribed performance benchmarks, the AMCs shall also adhere to the following:

A. Dissemination of Peer Group Average Returns

For effective implementation of enhanced performance disclosure, in addition to the prescribed performance benchmarks, MUFAP shall also disseminate the "Peer Group Average Return" for each category on a monthly basis so as to ensure that every CIS in any single category is using the uniform peer-group-averages. For construction of such peer groups; a distinct segment may be used in the same category by MUFAP, based upon the difference in investment avenues (e.g. Sovereign Income CIS and Sector Specific Income CIS within the Income Fund category), provided that there are at least three (03) participants in the peer group where each of them is operational for at least six months.

In case of any new fund, MUFAP shall publish its peer group comparison, but the fund itself shall become part of peer group only after completing a period of 6 months.

B. Dissemination of Performance Benchmarks

Mutual Fund Association of Pakistan (MUFAP) shall calculate benchmarks for each category of CIS both for, Conventional and Shariah Compliant. The performance benchmarks of the following categories of CIS both, Conventional and Shariah Compliant, shall be calculated by the respective AMCs and shared with MUFAP on monthly basis:

a. Asset Allocation;
b. Capital Protected;
c. Constant Proportion Portfolio Insurance based Scheme;
d. Fixed Return/Term; and
e. Commodity.

The categories of CIS mentioned in para above, shall be excluded from the requirement of peer group return dissemination by MUFAP.

C. Performance Disclosure

i. All AMCs shall disclose comparison of their CIS performance with respective benchmark and the Industry Peer Group Average Return, where applicable, in the respective category for the past 5 years in the Fund Manager's Report.
ii. The AMCs shall disclose committed rate in the monthly Fund Manager Report of Fixed rate CIS and Shariah Compliant Fixed Term CIS.
iii. All CIS, with defined maturity, shall adapt the benchmark for the respective category (as per the category) according to the life/tenure of the CIS.
iv. The disclosure of the benchmark performance and "Peer Group Average" shall also be applicable on distributors /Investment Advisors in terms of sharing the performance of a CIS with existing and prospective investors.

D. Other Requirements

i. MUFAP shall monitor performance disclosures of the respective CIS and ensure effective compliance with the same.

ii. MUFAP shall announce 1-month, 3-months, 6-months, 9-months and 1-year PKISRV rates (yields) on daily basis. Yield may be shared directly or through interpolating from the nearest available tenors based upon the method as prescribed and disseminated by MUFAP.

iii. For the purposes of ascertaining benchmark returns of Conventional and Shariah Compliant Fund of Funds CIS, placement in cash and/or near cash instruments shall be considered as investment in Money Market CIS.

iv. For the purposes of calculating highest rates on savings account in a category, highest available rates among that category shall be used by the MUFAP.

v. MUFAP shall publish all the category wise benchmarks on monthly basis and use monthly weighted average rates to bring consistency.

vi. MUFAP shall publish on its website, ranking of CIS on the basis of their last 365 days returns, on monthly basis.

E. Adoption of this Direction

i. The above-mentioned benchmarks shall be adopted by AMCs within 1 month from the issuance of this Direction.

ii. The AMCs shall ensure to include in its monthly Fund Manager's Report both the old and new benchmarks in parallel for a period of 3 months from the first use of new benchmarks, after which it shall only disclose benchmarks prescribed under this direction.

Note: All AMCs shall make necessary amendments in the offering document and FMR of the CIS within 1 month from the issuance of this direction *(i.e. Direction 24 of 2024 dated December 18, 2024).*

CHAPTER 8
SELLING AND MARKETING OF COLLECTIVE INVESTMENT SCHEMES, SALES LOAD AND EXPENSES

8.1 Sale of Units of Collective Investment Schemes[118]

The AMCs shall comply with the following in respect of sale of units of Collective Investment Scheme (CIS):

8.1.1 An AMC shall not be involved, directly or indirectly, in the mis-selling of units of CIS.

8.1.2 An AMC shall not sell units of a CIS under its management (directly or indirectly) by making a false or misleading statement, concealing or omitting material facts of the CIS and concealing the associated risk factors of the CIS.

8.1.3 An AMC shall take reasonable care to ensure suitability of a CIS to an investor before sale of units of the CIS.

8.1.4 An AMC shall ensure that any performance reporting/ presentation of a CIS is accompanied by all explanations, qualifications, limitations and other statements that are necessary to prevent such information from misleading investors.

8.1.5 An AMC shall ensure that promotional materials do not contain untrue statements or omit to state facts that are necessary in order to prevent the statements from being misleading, false or deceptive.

8.2 Allocation of Net Asset Value on receipt of applications for investment in Mutual Funds[119]

The AMCs shall comply with the following in respect of open-end funds being managed by them:

8.2.1 In case of receipt of complete application along with the online payment/ payment instrument within cutoff timings, for investment in open end funds following historical pricing mechanism. the AMC shall allocate the closing NAV of the day immediately preceding the day of receipt of application.

8.2.2 In case of receipt of complete application along with the online payment/ payment instrument within cutoff timings, for investment in open end funds following forward pricing mechanism. the AMC shall allocate the closing NAV of the day of receipt of application.

The NAV allocated with respect to each application along with a copy of application and payment instrument shall be provided to the trustee of the respective fund on the same day. AMCs shall ensure that each payment instrument is deposited expeditiously by utilizing the appropriate banking facility. The units of the CIS shall however, be issued only upon

[118] SECP Circular No. 23 of 2013 dated Dec 06, 2013
[119] SECP Direction No. 02 of 2015 dated July 08, 2015

realization of payment.

In case an AMC has reasons to believe that it is not prudent to allocate NAV upon receipt of application in case of a specific category of fund such as Money Market /Income Funds or particular investor/class of investor(s), it may exercise its own discretion and allocate NAV to such investors/class of investor(s) upon realization of payment instruments. However, in all such cases, the AMCs shall maintain a proper record along with reasons for exercising such discretion.

8.3 Sales Load being charged by Collective Investment Schemes[120]

8.3.1 All AMCs shall ensure that the cumulative sales load does not exceed 3% of the NAV per unit, where the offering document of the Collective Investment Scheme (CIS) permits charging of sales load.

Provided that an AMC may charge sales load maximum up to 3% of NAV per unit if investor approaches directly for investment or where transactions are done through a third-party online distribution portal/ website, and may charge sales load maximum up to 1.5% of the NAV per unit where transactions are done through AMC's own online distribution portal or website.

8.3.2 In this respect the AMC shall ensure following complete disclosures along with requisite documents:

(a) Clearly disclose, at the time of investment, the maximum rate of Sales Load that is being charged to the unitholder;

(b) Obtain duly signed acknowledgement from the unit holder to ascertain that all the terms and conditions along with details of Sales Load to be deducted, have been read and understood by the unitholder; and

(c) Issue to the unit holder, within 48 hours of the realization of funds, breakup of the total amount received from the unitholder, sales load charged and net amount invested in the fund on his behalf as per the following format:

Particulars	**Amount/Percentage**
Investment Amount Received	
Front End Load	(% of NAV per unit (at the time of investment))
Net Amount Invested	Rs.: *(Investment Amount received – Amount of Front End Load)*
Back End Load (to be charged)	(% of NAV per unit to be charged at the time of issuance or redemption (please specify))

8.3.3 Further, in case of an investment done through a third-party online distribution portal or website, an AMC shall ensure that at the time of investment, the disclosures specified in above table are immediately displayed prominently to the investor through a screenshot popping up in English and Urdu languages, providing a choice to the investor to accept or decline through a click on the buttons provided conspicuously with the screenshot.

8.3.4 For the purpose of this Circular *(i.e. Circular No. 10 of 2022 dated October 04, 2022)*, sales

[120] SECP Circular No. 10 of 2022 dated October 04, 2022

load means front end load deducted at the time of investment or back end load charged at the time of redemption from the CIS. However, the load charged upon redemption and which forms part of the CIS property shall not classify as sales load.

8.4 Cooling-off right for individual unit holders of open-end Collective Investment Scheme[121]

The AMCs shall provide a right to the unit holders to obtain a refund of their first-time investment (cooling-off right) in a collective investment scheme (CIS) managed by the AMC, if the unit holder so requests within the stipulated time period (cooling-off period). In this respect the AMC shall comply with the following:

8.4.1 The cooling-off right, cooling-off period and procedure to exercise such right shall be adequately disclosed in the investment form signed by the unit holder at the time of purchase of units.

8.4.2 The cooling-off right shall be available to individual unit holders only.

8.4.3 The cooling-off right shall be available only for first time investment by an individual unit holder in a particular CIS.

8.4.4 The cooling-off period shall comprise of three business days commencing from the date of issuance of investment report to the unitholder as per Circular 26 of 2015 (Circular No. 10 of 2022 dated October 04, 2022).

8.4.5 The cooling-off right shall be exercised by the unit holder upon written request to the AMC within specified cooling-off period.

8.4.6 The refund for every unit held by the unit holder pursuant to the exercise of a cooling-off right should be an amount equal to NAV per unit applicable on the date the cooling-off right is exercised.

8.4.7 The AMC shall also refund any sales load paid by the unit holder.

8.4.8 The contingent load shall be payable by the unit holder on exit from the CIS where such load is admissible as per the constitutive document of the CIS.

8.4.9 For the purpose of this direction, contingent load means the load charged upon redemption and which forms part of the CIS property.

8.4.10 The refund pursuant to the exercise of a cooling-off right shall be paid to the unit holder within six business days of receipt of written request from the unit holder. and

8.4.11 The AMC shall also ensure that before signing of investment form, the investor is provided, the latest Fund Manager Report (FMR) in case of investment in an existing CIS. Whereas for new CIS, the AMC shall provide a fact sheet of the CIS containing information as per Section 1(Basic Fund Information) of FMR prescribed by MUFAP excluding Net Assets of CIS, NAV per unit, Fund Stability Rating and leveraging done by the CIS.

[121] SECP Direction No. 31 of 2016 dated September 22, 2016

8.5 Revised Conditions for Charging of Selling and Marketing Expenses to Mutual Funds[122]

The AMCs shall comply with the following conditions for charging of selling and marketing expenses to Collective Investment Schemes managed by them:

8.5.1 Selling and Marketing expenses will be allowed on all categories of open-end mutual funds (except fund of funds).

8.5.2 The selling and marketing expenses can only be used for the following purposes:[123]

(a) Cost pertaining to opening and maintenance of all branches by AMCs in all cities.

(b) Payment of salaries to sales team posted at all branches of an AMC.

(c) Payment of commission to sales team and distributors in all cities of Pakistan.

(d) Payment of advertising and publicity of these funds. and

(e) Payment of expenses related to development and maintenance of alternative delivery channels/distribution including.

i. Technology and software development.
ii. Website development and related advertising.
iii. Creation of investors online touch points and related advertising charges.
iv. Investor's portal and related advertising charges. and
v. Mobile applications and related advertising.

8.5.3 AMCs that intend to charge these expenses to funds, shall submit their annual plan to their Board of Directors for approval. The plan should cover, at a minimum the following.[124]

(a) Name of funds to which such expenses will be charged.

(b) Projected selling and marketing expenses by an AMC from its own sources.

(c) Maximum expense limit that will be charged.

(d) Nature of Expenses that will be charged.

(e) Plan for increasing retail outreach by charging such expenses:

i. Targeted branch network and net assets to be increased.
ii. Targeted increase in number of investors.
iii. Targeted sales staff to be increased. and
iv. Targeted distribution arrangement and commission structure.

(f) Status of achievement of AMC against the last year submitted plan.

8.5.4 Expenses to be paid to AMC at the end of each quarter on reimbursement basis subject to verification of documentary evidence by the trustee and ensuring that expenses are used for

[122]SECP Circular No.11 of 2019 dated July 05, 2019 (not found)
[123] SECP Circular No. 40 of 2016 dated December 30, 2016
[124] SECP Circular No. 05 of 2017 dated February 13, 2017

the purposes allowed. In case of dispute between AMC and trustee, the matter shall be referred to the Commission and decision of the Commission shall be binding on both AMC and trustee.

8.5.5 These expenses shall be counted in the Total Expense Ratio cap of the fund and AMC shall adjust the NAV of the fund on daily basis.

8.5.6 These expenses shall be separately disclosed in the fund manager's report and published accounts of funds.

8.5.7 The Board of Directors of an AMC shall at least on quarterly basis monitor the performance of annual plan of AMC and proper application of selling and marketing expense charged to fund as per the approved plan.

8.6 Restriction on sharing of management fee by AMCs with Unit holders[125]

The practice of sharing management fee earned by AMCs on Collective Investment Schemes (CIS) with the unit holders of CIS prevails in the mutual fund industry. This practice is considered as one of the factors that hampers the broadening of investor base which is imperative for sustainable growth of the mutual fund industry. The Commission has directed all AMCs to comply with the following instructions: -

8.6.1 AMCs shall not share, directly or indirectly, the management fee earned on CIS under its management with any of the unit holders of such CIS in any form whether in cash or in kind. and

8.6.2 AMCs, while entering into an agreement with the distributor of Mutual Funds, shall ensure that such distributor does not share commission/fee in any form with the underlying unit holders of a CIS. Whenever an AMC becomes aware of any distributor sharing commission / fee received from AMCs with its clients (i.e. unitholders of a CIS), the AMC shall immediately report the same to MUFAP which may consider cancellation of registration of such distributor.

8.6.3 [AMCs may however, share management fee on investment made by sales employees of AMC and distributors in Collective Investment Schemes subject to the following conditions;

(i) Investments made by sales employees and employees of distributors should be in their own name;

(ii) AMCs shall ensure that all the investments made in CIS by such employees are consistent and in compliance with employee trading policy;

(iii) The management fee sharing arrangement/policy should be duly approved by the Board of Directors of AMCs; and

(iv) The AMCs shall make appropriate disclosure, of such arrangements, to all unitholders.][126]

[125] SECP Letter No. NBFCD/ 178 /2012 dated June 11, 2012

[126] SECP Letter No. SCD/AMCW/MUFAP/ 36/2021 dated August 08, 2021

CHAPTER 9
VALUATION AND PROVISIONING

Valuation of Debt Securities and Provisioning Criteria for Non-Performing Debt Securities[127]

9.1 This is applicable only to the debt securities held by Collective Investment Schemes for determining daily Net Asset Value (NAV).

9.1.1 For this purpose, debt security means any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital includes Term Finance Certificates (TFCs). bonds, debentures, Sukuks, and commercial papers etc.

9.1.2 The SECP directs all the AMCs to apply the enclosed methodology in true letter and spirit to arrive at fair valuation of debt securities and provisioning thereon for determining true and fair daily NAVs. Adoption of the said methodology is aimed at bringing consistency across the mutual fund industry and is expected to lead to fair price discovery of debt securities. Methodology for Valuation of Debt Securities and Provisioning criteria for Non-Performing Debt Securities are enclosed at **Annexure-VI** and **Annexure-VII** of this circular respectively

9.1.3 The value of debt of securities based on methodology for valuation of debt securities shall be determined and announced by MUFAP on the monthly basis (in the middle of the month). However, in case of any significant event (like changes in discount rate, KIBOR, etc.), fresh valuation of debt securities shall be carried out by MUFAP immediately. After expiry of (8) weeks, the valuation of debt securities shall be determined and announced by MUFAP on daily basis. MUFAP shall announce these valuations on its website and shall maintain all the relevant data and working for at least 18 months.

9.1.4 In order to ensure consistent application of the methodology for valuation of debt securities, the MUFAP, in consultation with the Commission, shall appoint an accounting firm for conducting audit on regular basis.

9.1.5 Given the specialized nature of methodology for valuation of debt securities the same shall be reviewed by MUFAP on an ongoing basis and at least quarterly. Any refinements that are deemed necessary shall be presented by MUFAP to the Commission immediately for its consideration.

9.2 Reporting of trade information by all AMC for dealing in debt securities[128]

9.2.1 In order to ensure that valuations of debt securities derived from the prescribed methodology are meaningful and that NAVs are true and fair representative, the Commission deems it appropriate to direct all AMCs to report to the Mutual Funds Association of Pakistan as and when they execute all transactions (buy or sell trade) in a debt security.

9.2.2 Therefore, all AMCs are hereby directed to report trade related information for debt securities to MUFAP in accordance with the format mentioned below.

[127]SECP Circular No. 1 of 2009 dated January 06, 2009
[128]SECP Circular No. 02 of 2009 dated January 14, 2009

9.2.3 AMCs are further directed to ensure appropriate records and documents including broker notes, as evidence for the actual trade, are maintained for a period of at least 18 months from the date of such trade. Transactions (if any) executed during January 1, 2009 to date shall be reported immediately by the AMCs on a consolidated basis to MUFAP and the Commission.

Detail of Debt Securities sold/purchased by Collective Investment Scheme

Trade Date	Issue name	Nature of Debt Security (TFC/Sukuk etc)	Detail of Issue	Issue Date	Maturity Date	Listed/ Unlisted	Secured/ Unsecured	CDC Eligibility	Rating	Rated by (agency)	Base Rate	Spread	Interest/profit reset cycle	Face Value	Trade Volume (no. of cert.)	Trade Value (in mn)	Trade Price

9.3 Provisioning Policy for Non-Preforming Exposure of Collective Investment Schemes[129]

In order to ensure fair determination of Net Asset Value (NAV) backed by Provisioning Policy duly approved by the Board with proper rationale and adequate disclosures to the unit holders and prospective investors, the Commission directs all AMCs to comply with the following:

9.3.1 AMCs deciding to make any provision against exposure such as COls, CODs, COMs, LOP, money-market placements, etc. or any additional provision against debt securities i.e. over and above the minimum provisioning requirements as prescribed above under Circular No. 1 of 2009 shall formulate a comprehensive Provisioning Policy duly approved by their Board of Directors prior to making of such provisions.

9.3.2 The Provisioning Policy approved by the Board shall inter-alia contain:

(a) Eligibility criteria for debt security and other exposure for making provision.
(b) Criteria for classification as non-performing exposure.
(c) Provisioning requirements including the minimum time frame for maintaining the applied provisions.
(d) Criteria for suspension of mark up.
(e) Criteria for reversals of provisioning. and
(f) Requirements for disclosure of the Provisioning Policy to unit holders and prospective investors.

9.3.3 The Provisioning Policy as approved by the Board shall be immediately disclosed / disseminated by the AMC to the existing unit holders, prospective investors, trustee of the scheme and the Commission. The same shall also be disseminated by the AMC on its website, in addition, requisite amendments in the constitutive documents of the scheme shall be incorporated at the earliest, t3he provisioning made in light of the Provisioning Policy shall be disclosed by the AMC in the quarterly, half yearly and annual accounts of the scheme.

9.4 Valuation of GOP Ijara Sukuk[130]

9.4.1 All CIS shall use GIS Revaluation Rates disseminated by the Pakistan Stock Exchange Limited (PSX) for valuation of CDS eligible Government of Pakistan Ijara Sukuks which are listed on the PSX.

[129] SECP Circular No. 13 of 2009 dated May 04, 2009
[130] SECP Circular No. 6 of 2025 dated February 04, 2025.

Annexure-VI

Methodology for Valuation of Debt Securities[131]

Chapter 1

1A. Classification of Debt Securities

The debt securities held by the Collective Investment Schemes shall be classified as per the following criteria:

1. **Traded Securities**
   Debt securities that have a minimum traded volume of Rs.15 million during the 30 (calendar) days period before the valuation date.

2. **Thinly Traded Securities**
   Debt securities that have a traded volume of less than Rs.15 million but equal to or more than Rs.1 million during the 30 days period before the valuation date.

3. **Non-Traded Securities**

   Debt securities that have a traded volume below Rs. 1 million during the 30-day period before the valuation date.

   Debt securities classified on the above basis, shall be further categorized as follows and valued accordingly:

   (a) **Rated** - Debt security rating shall be used and where no such rating is available the rating of the issuing company or the body corporate shall be applicable. In case of more than one rating, the most conservative publicly available rating shall be used.

   - Investment Grade (credit rating of BBB and above)
   - Non-Investment Grade
     i. Performing Assets
     ii. Non-Performing Assets (issuer delays an interest/principal payment)

   (b) **Non-rated** — issue where neither the debt security nor the debt issuing company or the body corporate is rated shall be classified as non-rated

   - An internal rating shall be assigned by MUPFAP and such rating shall be a notch below the rating of a comparable issue/issuer rating in the same sector/industry.
   - If a comparable issue/issuer is also not available, the issue shall be treated below investment grade and valued as elaborated in "valuation of non-investment grade debt securities" mentioned below in Chapter 2,

[131] SECP Circular No. 33 of 2012 dated October 24, 2012

Chapter 2

2A. Valuation of Traded Debt Securities

All debt securities classified as traded securities shall be valued on the basis of their volume weighted average price during the fifteen (15) calendar days preceding their valuation date. In case of no trades during the last 15 days period, trades during the thirty (30) calendar days preceding the valuation date shall be used for the purpose of calculating the volume weighted average price.

2B. Valuation of Thinly and Non-Traded Debt Securities

(a) **Investment Grade**

The performing investment grade debt securities shall be classified as under:

i. **Debt Securities with residual maturities of up to six months** — Such non-traded and thinly traded debt securities shall be valued on the basis of amortization to its face value.

ii. **Debt Securities with residual maturities of over six months** — Such non-traded and thinly traded debt securities shall be valued in accordance with the yield matrix as explained in Chapter 3 below:

In case an investment grade debt security is classified as non-performing, the determined value shall be provided for in accordance with the **Annexure-VII**.

(b) **Non-Investment Grade**

Non-investment grade performing debt securities shall be valued at a discount of 25% to the face value.

In case a non-investment grade debt security is classified as non-performing, the determined value (discount of 25% to face value) shall be provided for in accordance with the **Annexure-VII.**

Chapter 3

3A. Valuation Process - Yield Matrix

Step I: Establishment of a Benchmark:

A risk-free benchmark yield shall be built, for which yields published by Reuters (PKRV) for the government securities shall be grouped into following seven tenor (maturity) buckets:

(a) 3-6 months
(b) 0.5-1 years
(c) 1-2 years
(d) 2-3 years
(e) 3-4 years
(f) 4-5 years
(g) 5-6 years or any longer period

In order to capture the interest rate risk, the debt securities shall be classified on the basis of coupon structure i.e., floating or fixed rate coupon. In case of a debt security structured on floating rate coupon, the relevant tenor bucket shall be applied based on the coupon rate resetting cycle (3months, 6months, one year, etc.). In case of a debt security structured on fixed rate coupon, the relevant tenor bucket shall be applied based on the residual time to maturity.

Step II: Adding a Credit Spread:

A matrix of spreads (based on the credit risk) shall be built for marking up the benchmark yields. For this purpose, following criteria shall be applied:

(a) Trades of debt securities of various ratings shall be used and all traded debt securities (with minimum traded value of Rs.15 million) during the fortnight under consideration shall be classified by their ratings and grouped into following rating buckets. Each rating bucket shall further be classified into the following sub buckets according to weighted average residual maturity (WARM).

i. Less than One year
ii. Between 1 and 3 years
iii. Between 3 and 5 years
iv. Over 5 years

Rating/WARM	**Less than one Year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**
AAA				
AA+				
AA				
AA-				
A+				
A-				
BBB+				
BBB				

(b) All trades during the fortnight prior to the valuation date shall be used in building the corporate Yield to Maturity (YTM) and spread matrices. The spreads so calculated shall be computed fortnightly and average volume weighted yield shall be computed.

(c) Employing the traded prices as well as primary issuances during the considered month, average volume weighted yield for each rating shall be determined. In the absence of which, the information during the 30-day period prior to the valuation date shall be considered.

(d) In the event of lack of trades in the secondary market and the primary market, the gaps in each matrix shall be filled by extrapolation. (i.e. if the yield for a particular rating cannot be determined, the average of the yields for a notch above and below shall be used for determining its yield). In case of extrapolation for sub-buckets i.e. weighted average residual maturity, an appropriate factor shall be applied and the same shall be disclosed with rationale.

(e) If extrapolation is not possible, the gaps in the matrix shall be filled by carrying the spreads from the last matrix.

(f) In case, the market determined yield curve is not smooth (i.e. the determined yield for a lower rating is lower than the determined yield of a higher rating, which theoretically is not possible), extrapolation (as described above) may be used to smoothen up the yield curve.

Step III: Mark up/Mark down of Yield

The yields calculated by MUFAP in accordance with the above steps may be marked- up/marked-down by applying discretionary discount by AMCs as per the following criteria:

Application of Discretionary Discount

(a) The asset manager shall have the discretion to apply a markup/mark down (within the available limit as specified below) to yield of any specific debt security.

(b) Discretionary markup/mark down shall be applied to take into account the following aspects associated with a specific debt security:

i. Illiquidity risk
ii. Sector specific risk,
iii. Issuer class risk.

(c) Markup/mark down shall be determined on the basis of whether the issue is rated or unrated as per table below.

	Rated	**Unrated**
Duration up to 2 Years	+200/-100 bps	+50 bps
Duration over 2 years	+150/-50 bps	+50 bps

Temporary Relief[132] : The Maximum limit for application of discretionary discount has been enhanced as per the following table: -

	Rated	**Unrated**
Duration up to 2 Years	+400/-200 bps	+100 bps
Duration over 2 years	+300/-100 bps	+100 bps

(a) Application of discretionary markup/mark down shall be approved by the Investment Committee (with proper written Justification) and shall be reported on the same day to the Board of Directors (of AMC), MUFAP, SECP and the Trustees. The decision in relation to application of the discretionary markup/mark down shall be ratified by the Board of the AMC in the next meeting.

(b) Discretionary markup/mark down, if applied, shall be reviewed fortnightly or on occurrence of any significant change in the financial markets by the Investment Committee.

Mark up of yield of performing debt securities

In addition to the above discretion, an AMC shall not provide for against a performing debt security. However, MUFAP shall have the discretion to apply maximum mark-up of up to 500bps to the calculated yield of any specific debt security after taking into account the potential credit risk of any

[132] SECP Circular No. 11 of 2020 dated April 09, 2020

particular performing debt security or considering any unusual factor/event associated with the issuer, issue or sector in order to ensure consistent and transparent valuations for entire mutual fund industry. Such factors/events may include following:

i. Issuer of the performing debt security has defaulted on its other financial obligations.
ii. Rating of the performing security has been significantly downgraded in a short time span.
iii. Breach of covenants relating to the performing debt security.
iv. Deteriorating operating, financial and cash flow position of the issuer.
v. Unfavorable conditions or weak outlook of the specific sector.

Such factors/events shall be duly documented/noted in the decision taken by MUFAP while adjusting valuation of such securities.

Step IV: Valuation

The risk adjusted yields so arrived shall be used to discount all future cash flows of a debt security to determine its value

3B. Review of Spread

The maturity spreads (across tenors) and credit spreads (across rating grades) used in the model shall be reviewed and updated quarterly by MUFAP based on a review of 3-month, 6 month and 1 year spreads.

3C. Capping of Prices

In case, if price of a debt security increases solely due to reason of movement from traded to non-traded category, MUFAP shall cap it at its last traded price.

Annexure-VII

Provisioning Criteria for Non-Performing Debt Securities

A. Classification as A Non-Performing Asset (NPA)

A debt security shall be classified as non-performing, if the interest and/or principal amount is past or overdue by 15 calendar days[133] from the due date.

Temporary Relief: The time period for classification of a debt security to non-performing category is extended from 15 days to 180 days. Debt securities which are regular in payment of mark up, however, deferred the payment of principal for one year as per the agreement shall be treated as performing. Debt securities which are rescheduled/restructured between these 180 days shall continue to be treated as performing. These relaxations, shall stand expired on March 31, 2021. and afterwards prevailing instructions on the subject shall be applicable.

B. Suspension and Reversal of Interest/Profit

(a) The accrual of interest/profit shall be suspended from the first day the interest/profit payment falls due and is not received.

(b) All interest/profit accrued and recognized in the books of Collective Investment Scheme shall be reversed immediately once a debt security is classified as non- performing.

(c) In case a Collective Investment Scheme has received all arrears of interest and the debt security has not been reclassified as performing, the suspension of interest shall continue.

C. Minimum Provisioning Against the Principal Amount

(a) All non-performing debt securities whether secured or unsecured shall be provided for in accordance with the following criteria from the day of classification as non-performing:

Effective day for Provisioning	Minimum Provision as % of book value (outstanding principal amount)	Cumulative Provision
90^{th} days	20%	20%
180^{th} day	10%	30%
270^{th} day	10%	40%
365^{th} day	10%	50%
455^{th} day	10%	60%
545^{th} day	10%	70%
635^{th} day	10%	80%
725^{th} day	10%	90%
815^{th} day	10%	100%

(b) In the process of arriving at minimum provisioning against non-performing debt securities as per the timeline given above an AMC may exercise discretion with respect to the timing for creating the requisite provision such as immediately on the day of classification as

[133] SECP Circular No. 35 of 2012 dated November 26, 2012

non-performing or spreading it over the number of days, as deemed appropriate in the best interest of unit holders. However, the minimum provision on effective day shall be in accordance with the schedule given above.

(c) Where a debt security immediately preceding its classification as non-performing is valued at a discount to its outstanding principal amount, such discount may be accounted for while arriving at the minimum provision. However, if any such discount exceeds the requisite provisioning, the excessive discount shall not be written back and debt security shall be carried at the existing value upon classification as non-performing.

(d) In addition to the minimum provision prescribed above, any installment of principal amount in arrears during the period of non-performance shall also be fully provided,

Note: The above criteria outline the minimum provisioning requirements. however, the AMC has the discretion to provide for more than these requirements if the circumstances warrant such provision, subject to the approval of Board and disclosure in quarterly, half yearly and annual accounts.

D. Reclassification of Non-Performing Debt Securities

(a) The debt security shall only be reclassified as performing once all the arrears have been received in cash and debt security is regular on all payments (interest as well as principal) for the next two installments.
(b) In case of non-performing debt securities which have been rescheduled/restructured, the debt security shall only be re-classified as performing if all the following conditions are met:
   i. The terms and conditions of rescheduled/restructured debt security are fully met for a period of at least one year.
   ii. All the arrears (till the date of restructuring) have been received in cash. and
   iii. An amount equivalent to two installments (excluding grace period, if any) as per original repayment term (before rescheduling) are paid in cash.

However, during rescheduling/restructuring period the AMC may stop creating additional provisioning against restructured/rescheduled debt security. If the debt security subsequently did not perform as per rescheduling/restructuring agreement the debt security shall be treated as non-performing from date of its original default

E. Reversal of Provisions

(a) The unrealized interest mark-up amount reversed shall be written back to income up to the extent it is received in cash.

(b) The provision made for principal amount shall be written back to the extent it is received in cash and the remaining provision shall cover the minimum provision required. The full provision shall be reversed when the debt security is reclassified as performing.[134]

[134]SECP Circular No. 33 of 2012 dated October 24, 2012

Clarification in respect of Circular No. 03 of 2010 is as follows.[135]

i. In the process of arriving at minimum provisioning against non-performing debt securities as per the timeline given on Page 1 of 2 of Annexure II to Circular 01 of 2009, an AMC may exercise discretion with respect to the timing for creating the requisite provision such as immediately on the day of classification as non-performing or spreading it over the number of days, as deemed appropriate in the best interest of unit holders. However, the minimum provision on effective day shall be in accordance with the schedule given on Page 1 of 2 of the Annexure II to Circular No. 01 of 2009.

ii. Where a debt security immediately preceding its classification as non-performing is valued at a discount to its outstanding principal amount, such discount may be accounted for while arriving at the minimum provision. However, if any such discount exceeds the requisite provisioning, the excessive discount shall not be written back and debt security shall be carried at the existing value upon classification as non-performing.

iii. Where a debt security earlier classified as non-performing subsequently performs as per the original repayment terms and all the arrears of interest and principal are duly received, such debt security shall immediately be re-classified as performing and the provision made against such security shall be written back. The condition of receipt of next two installments for re-classification of non-performing security as performing is only applicable in case of rescheduled/restructured debt securities.

iv. An AMC shall not provide for against a performing debt security. However, MUFAP shall have the discretion to apply maximum mark-up of up to 500bps to the calculated yield of any specific debt security after taking into account the potential credit risk of any particular performing debt security or considering any unusual factor/event associated with the issuer or issue in order to ensure consistent and transparent valuations for entire mutual fund industry. Such factors/events may include following:

    - Issuer of the performing debt security has defaulted on its other financial obligations.
    - Rating of the performing security has been significantly downgraded in a short time span.
    - Breach of covenants relating to the performing debt security.
    - Deteriorating operating, financial and cash flow position of the issuer.

    Such factors/events shall be duly documented/noted in the decision taken by MUFAP while adjusting valuation of such securities.

[135] SECP Circular No. 3 of 2010 Dated January 20, 2010

CHAPTER 10
MANDATORY CERTIFICATIONS FOR PROFESSIONALS OF NBFCS AND DISTRIBUTION OF UNITS OF CIS

Mandatory Certification for The Professionals of AMCs, Pension Fund Managers and Investment Advisors[136]

10.1 All existing professionals engaged in or employed by these NBFCs for the following activities shall obtain Pakistan Markets and Regulations Program (PMR) and Fundamentals of Capital Market (FCM) certifications currently being offered by IFMP:

(a) Business and product developments: - those responsible for sale (retail/institutional), marketing, investor relations/services, and product design.

(b) Fund/Investments Management: those managing the portfolio or investment including all members of investment committees.

(c) Operations: those responsible for fund and client accounting, trustee relations and execution of trades.

(d) Settlement: those responsible for settlement of all trades.

(e) Research: those carrying out fundamental analysis of all existing and potential investment.

(f) Compliance: those responsible for ensuring compliance with applicable business regulatory requirements. and

(g) Risk: those responsible to ensure that investments are within a desirable level of risk.

10.1.1 All persons engaged in sales function of Non-Banking Finance Companies (NBFCs) by NBFCs or third parties engaged by NBFCs for the sale of collective investment schemes and pension funds shall be required to obtain only Mutual Fund Distributors Certification (MFDC). These persons are no longer required to obtain Pakistan Markets and Regulations Program (PMR) and Fundamentals of Capital Market Certifications (FCM).

10.1.2 The PMR and FCM certifications shall be mandatory only for Chief Executive Officers, Chief Investment Officers, Head of Operations, Head of Compliance and Head of Sales (by whatever name called) of NBFCs.

10.1.3 The PMR, FCM and MFD certifications shall be mandatory for all sales supervisors (by whatever name called) of third parties engaged by the NBFCs for the sale of collective investment schemes and pension funds.][137]

10.1.4 All new professionals joining these NBFCs or a third party engaged by these NBFCs for any of the above referred function or activity shall obtain PMR and FCM certifications within 12

[137]SECP Circular No. 48 of 2015 dated Dec 31, 2015

months of their joining. However, if a new professional is engaged in sale of collective investment schemes or pension funds, he/she shall obtain MFDC in addition to PMR and FCM certification within 12 months of his/her joining.

10.1.5 Professionals desirous of availing certification through grandfathering provision should approach the Institute of Financial Markets of Pakistan (IFMP) at any time, if they fulfill the criteria[138].

10.1.6 NBFCs shall ensure that their employees who obtain certification through exam or grandfathering shall comply with all certification requirements.

10.1.7 All the professionals working with or working for the NBFCs in respect of above defined activities shall comply with the applicable mandatory certification requirement. It shall be responsibility of NBFCs to ensure compliance of above requirements by any third party to whom any of the above mention function or activity has been delegated.

10.2 Mandatory Requirements for Distributors Selling Mutual Fund Units of Single AMC[139]

The SECP has prescribed the following requirements for employees and distributors of an AMC selling Mutual Fund units of a single AMC only and are exempted from seeking license/registration from the Commission or Mutual Funds Association of Pakistan (MUFAP):

10.2.1 The minimum eligibility criteria for a distributor to sell and distribute mutual fund units of a single AMC only shall be as follows:

(a) Individuals with Matric/0 level or FA/FSc. / A Level or Graduation or Master or their equivalent with certification from Institute of Financial Market of Pakistan (IFMP). OR

(b) Individuals with MBA/MPA/Masters in Commerce/CA/CFA/FRM/ ACMA/ACCA/CIMA, or any other related professional qualification. OR

(c) Retired government/semi government officer of grade 16 and above with a service of at least 10 years. OR

(d) Retired bank officer of OG II or above with a service of at least 10 years. OR

(e) Individuals already working as insurance agents subject to submission of its valid registration certificate from any of the insurance company and verification of credentials from such insurance company. OR

(f) Individuals already acting as distributors of mutual funds for the last 3 years. OR

(g) Any other person if all of its employees engaged in selling of mutual fund units complies with the eligible criteria referred in sub clause (a), (b), (c), (d) and (f) above.

10.2.2 The requirements mentioned in section 8.1 of this Chapter shall not apply on employees of an AMC engaged in sales and distribution, individual distributors, and employees of a

[138]SECP Circular No.12 of 2018 dated July 10, 2018
[139]SECP Circular No.41 of 2016 dated Dec 30, 2016

company/firm which act as distributor for a single AMC.

10.2.3 Individuals referred in clause 1(a) of 8.2 above having minimum qualification of the graduation or above may sell mutual fund units after taking in-house training of minimum 3 days from an AMC without new IFMP certification. However, these individuals shall get new IFMP certification within six months from date joining the AMC or Distributor[140]

10.2.4 All relevant employees of AMCs and employees of companies/firms which act as distributor for a single AMC are also required to comply with the eligibility criteria referred in clause 1 and certification requirements referred in clause 3 above.

10.2.5 All the relevant employees of an AMC, individual distributors and employees of companies/ firms which act as distributor for a single AMC are also required to comply with the requirements of sub clause (c), (d), (e), (f) and (g) of Clause 66A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

10.2.6 All the distributors have to enter into written distribution agreement with one AMC only for distribution of unit of its mutual funds. Prior to entering into distribution agreement, the AMC shall ensure that such distributor is not selling or distributing units of mutual funds for any other AMC and complies with the aforementioned eligibility criteria.

10.2.7 AMC shall allocate unique identification number to all of its employees engaged in sales and to its distributors. The company/firm which acts as distributor for a single AMC shall also allocate unique identification number to all of its employees engaged in sales. The AMC shall maintain a register containing details of its own employees and its distributors along with their employee details and unique identification numbers which shall be send to MUF AP on monthly basis. The MUF AP shall be responsible for maintaining centralized data base and shall disseminate and update this data on its website for the information of investors.

10.2.8 AMC shall devise the risk profiling criteria to be used by its own employees and its distributors for soliciting investment from investors.

10.2.9 Each AMC shall arrange an in-house training for its own employees and its distributors twice a year. Moreover, each company/firm which acts as distributor for a single AMC shall also arrange an in-house training for its own employees twice a year.

10.2.10 AMC and its distributors (in case of company/firm) shall issue a proper identification card to each individual who is engaged in distribution of mutual funds which would be displayed to the prospective investors.

10.2.11 AMC shall be responsible for the acts and omissions of all of its employees and its distributors if they were its own acts and omissions.

[140]SECP Circular No.18 of 2018 dated October 16, 2018

10.3 Mandatory Certification Requirements for Sales Agents of AMCs / PFMs[141]

10.3.1 AMCs and PFMs shall have at least two persons or 20 percent of their employees (whichever is higher), undertaking activities related to sale of collective investment schemes or pension funds, who shall obtain the Institute of Capital Markets ("ICM") Certification for Mutual Funds Sales Agents latest by June 30, 2011.

10.3.2 Any new professional entrants appointed by the AMCs / PFMs for undertaking sales related activities shall obtain the ICM Certification for Mutual Funds Sales Agents within one year of his / her date of employment with the AMC / PFM.

10.3.3 It shall be the responsibility of the AMCs and PFMs to ensure any third-party distributors to whom the distribution / sales function has been delegated fulfill the above two requirements by June 30, 2011.

Existing employees of the AMCs or PFMs who are aged 35 or above and have relevant capital market experience of at least five (5) years shall be exempt from obtaining the above certification.

[141] SECP Circular No. 35 of 2009 dated October 30, 2009

CHAPTER 11
OUTSOURCING ARRANGEMENTS

Requirements for Delegation of Functions by AMCs in relation to Collective Investment Schemes[142]

The AMC shall comply with the following for delegation of any functions (excluding distribution function):

11.1 Definitions

Service Provider means a company to whom functions related to Collective Investment Scheme (CIS) are delegated by an AMC.

11.2 General

11.2.1 An AMC may delegate to a third party ("Service Provider") any of its functions in relation to a CIS under its management, except its core functions which includes investment decision making, risk management and compliance functions. However, in case of investment abroad on behalf of CIS an AMC may appoint investment advisor for such investments.

11.2.2 An AMC shall ensure that a function delegated to a service provider is not sub delegated by such service provider to another party.

11.2.3 An AMC may delegate its function in relation to accounting of a CIS to a Service Provider provided the Service Provider to which such function is delegated has a Chief Accounting Officer / Chief Financial Officer who is compliant with the criteria specified under rule 7(a)(vi)(c) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

11.2.4 An AMC may delegate function(s) to a Service Provider, initially for a period not exceeding three years and subject to satisfactory performance of such Service Provider may extend term of contract for such period as it may deem appropriate.

11.2.5 An AMC may delegate function to its associates or group entities provided such associate or group entity has in place systems, infrastructure, manpower, decision making, record keeping, etc. for avoidance of any conflict of interest and to ensure an arm's length dealing with the AMC and CIS under its management.

11.3 Responsibilities of Board of Directors and Senior Management

11.3.1 An AMC shall obtain prior written approval of its Board of Directors for entering into an agreement with the Service Provider for delegation of any functions.

11.3.2 An AMC shall conduct due diligence of the Service Provider, prior to engaging it, to assess its capabilities and expertise in performing the functions being delegated. Such an assessment

[142]SECP Circular No.24 of 2013 dated December 06, 2013

shall inter alia, include the following:

(a) Capacity of the Service Provider to comply with its obligations under the service level agreement.

(b) Adequacy of the resources and ability of the Service Provider to efficiently undertake the functions, especially in instances where the Service Provider performs services for multiple entities along with level of concentration of the outsourced arrangements with a single Service Provider.

(c) Potential conflict of interest especially where the Service Provider operates within the same industry and mechanism to adequately address such conflicts.

(d) Qualitative and quantitative financial and operational factors.

(e) Reputation factors.

(f) Insurance coverage by the Service Provider.

(g) Ability of the Service Provider to adhere to high standard of care.

11.3.3 An AMC's Board of Directors and its management shall be responsible and accountable for effective due diligence and oversight of all delegation decisions, to the regulator, unit holders of the CIS and other stakeholders.

11.3.4 An AMC shall ensure that prior to appointment of a Service Provider, details of such an arrangement along with requisite disclosures, including AMC's assessment of the service provider's capacity to satisfactorily perform the delegated functions, are made in the offering document of a CIS for which the service provider is being appointed, subject to approval of the offering document by the Commission.

11.4 Risk Management and Controls

11.4.1 An AMC and its Board of Directors shall be responsible for the effective management of any risks arising from delegation of functions and shall at the minimum ensure the following:

(a) Comprehensive due diligence of the nature, scope and complexity of the delegation of functions to identify key risks along with risk mitigation strategies.

(b) Delegation is consistent with the overall business strategy and objectives of the AMC.

(c) Periodic reviews of delegation arrangements and identification of new material outsourcing risks which arise or may arise.

(d) Analysis of the impact of the arrangement on the overall risk profile of the AMC, and whether adequate internal expertise and resources are available to mitigate the risks identified. and

(e) Analysis of the potential benefits of delegation against the weaknesses that may arise, including the impact of disruption or unexpected termination of the delegated services.

11.4.2 An AMC shall put in place adequate procedures to monitor and maintain overall control of the delegation arrangement in accordance with its Board's approved policy and ensure performance of AMC's primary obligation for the functions that are delegated.

11.4.3 An AMC shall ensure that its internal audit function conducts regular review of the functions performed by the Service Provider to ensure the continuous quality and integrity of the delegated functions.

11.4.4 An AMC shall have in place a contingency plan, approved by its board of directors, to mitigate any adverse impact arising from the discontinuity and disruption to the delegated function(s) in the event the service level agreement or part thereof is terminated, or the function cannot be performed by the service provider for any reason whatsoever. Such plan shall specifically cover detailed review of alternatives (i.e. whether the AMC will perform the function itself or appoint a new service provider).

11.5 Service Level Agreement (SLA) with Service Provider

11.5.1 An AMC shall enter into a written and binding service level agreement with the Service Provider to formalize and document the delegation arrangement, which explicitly and carefully defines the roles, responsibilities and obligations of the Service Provider and the AMC.

11.5.2 An AMC shall ensure that the SLA adequately captures the nature and materiality of the delegation arrangement between the AMC and Service Provider and documents all its components. The terms and conditions governing the SLA shall at the minimum cover provisions dealing with: -

(a) Firm and client confidentiality
(b) Payment arrangements with Service Provider
(c) Liability of the Service Provider to the AMC for unsatisfactory performance or other breach of the agreement
(d) Guarantees and indemnities
(e) Mechanisms to resolve disputes that might arise under the arrangement
(f) Business continuity provisions
(g) Conditions for termination of contract and exit strategies
(h) Maintenance of books, records and documents for the time period stipulated in the law, rules and guidelines.

11.5.3 An AMC shall ensure that the SLA stipulates provisions for proper reporting and monitoring mechanisms from the Service Provider to the AMC and trustee of the CIS, including the AMC's right and access to prompt information and records in relation to the CIS and its delegated functions.

11.5.4 An AMC shall ensure that the SLA contains appropriate provisions that empower the Commission to have ongoing access to books, records and documents, and it has the right of examination and inspection of the Service Provider, with or without notice.

11.5.5 An AMC shall ensure that the service level contract is duly reviewed by a competent legal counsel with regards to its legal effect and enforceability.

11.5.6 An AMC shall ensure that copy of service level agreement is shared with the Trustee of CIS within seven working days of entering into delegation agreement.

11.6 Confidentiality of Clients

11.6.1 An AMC shall procure, from the Service Provider, a written undertaking to maintain the secrecy and confidentiality of the documents and information of clients that the service provider shall have access to, from any intentional or inadvertent disclosure to any unauthorized person(s).

11.6.2 An AMC shall ensure that any requirements pertaining to the confidentiality of clients' information particularly in terms of the delegated functions, as stipulated under any laws, rules, regulations or guidelines are adhered to at all times.

11.6.3 An AMC shall review the service provider's security policies, procedures and controls to ensure protection of confidentiality and security of clients' information.

11.7 Regulatory Obligations

11.7.1 An AMC shall have the primary obligation, accountability and responsibility for complying with any regulatory requirements at all times notwithstanding delegation of any function to a Service Provider.

11.7.2 An AMC shall ensure that delegation of the functions does not in any way interfere with the ability of the AMC to fulfill its legal and regulatory obligations, or in efficiently performing any of its activities.

11.7.3 An AMC shall establish internal policies and procedures to ensure compliance with all relevant securities laws, regulations, guidelines, licensing conditions and rules and in this respect shall specifically ensure through service level agreement that the Commission has at all times-

(a) Access to the books, records and documents of the service provider relating to the outsourced activities.
(b) Be able to obtain copies of any books, records and documents whether from the AMC or the service provider. and
(c) Be able to obtain promptly any other information concerning activities that are relevant for the performance of their regulatory oversight or supervisory functions.

11.7.4 An AMC shall ensure that appropriate measures are in place including specific provisions in the SLA that empower the Commission to:

(a) Conduct examination and/or inspection at the premises of the Service Provider, by any person appointed in this behalf and to obtain copies of any report and finding made on the service provider in conjunction with the service performed for the market intermediary. and
(b) Have access to the Service Provider and the AMC's records and documents, data or information regarding transactions, and any other information of the AMC given to, stored at or processed by the service provider, and the right to access any report and finding made on the service provider.

11.7.5 An AMC shall procure a written undertaking from the Service Provider to the effect that the Commission shall, without any hindrance, reserve the right to conduct examination or inspection at the service provider's premises, including examining books and documents and having access to and obtain copies of the relevant books, records and documents as and when required.

11.7.6 An AMC shall submit following information in respect of its delegated functions to the Commission, within seven working days of entering into delegation agreement: -

(a) Objectives for delegations of functions.
(b) Approval of the Board of Directors.
(c) Scope of activities that are being delegated and the detailed arrangement between the AMC and the service provider.
(d) Selection criteria of the service provider and the manner in which the AMC shall monitor the performance of the functions by the service provider.
(e) Evaluation of risks. and
(f) Copy of the duly executed service level agreement

11.7.7 The Commission may at any time require or direct an AMC to perform the delegated function(s) itself internally or transfer the function to another Service Provider in the event that the Commission is not satisfied, for any reason whatsoever, with the performance of the service provider or the arrangement between AMC and the Service Provider, without any compensation whatsoever due to the AMC or the service provider.

CHAPTER 12
RISK MANAGEMENT AND COMPLIANCE

Risk Management and Control Guidelines for AMCs[143]

The AMCs shall follow the below guidelines for establishment of Risk Management Systems and Controls. The purpose of these guidelines is to facilitate and guide the AMCs and provide a general framework of risk management from their perspective. These guidelines are flexible in the sense that AMCs can adapt them in line with the size and complexity of their business. Although, the risk management framework and sophistication of the process, and internal controls used to manage risks, depends on the size, nature and complexity of institutions activities. Nevertheless, there are some basic principles that apply to all institutions irrespective of their size and complexity of business and are reflective of the strength of an individual institution risk management practices. It is hoped that the guidelines will provide reference for AMCs in developing and assessing their own risk management systems.

12.1 Preamble

As per the clause (m) of sub regulation (2) of regulation 38 of NBFC and NE Regulation 2008. AMCs are required to establish and maintain sufficient Risk Management Systems and Controls to enable it to identify, assess, mitigate, control and monitor risks in the best interest of unit holders of the Collective Investment Schemes (CIS) under its management. In order to guide and facilitate the AMCs. the Securities and Exchange Commission of Pakistan (SECP) issues the following guidelines for establishment of Risk Management Systems and Controls in the AMCs.

The purpose of these guidelines is to provide a general framework of risk management from the AMC perspective. These guidelines are flexible in the sense that AMCs can adapt them in line with the size and complexity of their business. Although, the risk management framework and sophistication of the process and internal controls used to manage risks depends on the size, nature and complexity of institutions activities. Nevertheless, there are some basic principles that apply to all institutions irrespective or their size and complexity of business and are reflective of the strength of an individual institutions risk management practices. It is hoped that the guidelines will provide u useful reference for AMCs in developing and assessing their own risk management systems. Since AMCs differs greatly one from another in terms of size, complexity. product mix and client type, however, what is appropriate for one AMC may not be appropriate for another however, the objective of the compliance with these guidelines should be to comply with the basic principles.

12.2 Introduction

Risk management is the process of identifying, assessing and monitoring both enterprise and portfolio risks in order to minimize unanticipated losses and uncompensated risks and optimizes the reward/risk ratio. A risk management system encompasses the scope of risks to be managed. the process/systems and procedures to manage risk along with the roles and

[143]SECP Circular No. 15 of 2018 dated July 17,2018

responsibilities of individual involved in risk management function. The framework should be comprehensive enough to capture all risks a CIS is exposed to and have flexibility to accommodate any change- in business activities. An effective risk management framework includes: -

(a) Risk Governance
(b) Risk Management Process and Procedure
(c) Portfolio Risk Measurement
(d) Operational Risk Management

12.3 Risk Governance

One of the keys to effective risk management is a risk governance structure that provide appropriate senior level oversight. segregation of functions. independent control groups and organizational checks and balances within a risk conscious culture.

Risk governance refers to the creation of checks and balances through organizational structure. Although risk governance structures will vary depending on the size and complexity of each organization. effective risk management generally requires:

(a) Definition of Roles and Responsibilities.
(b) Risk Management Policies:
(c) Establishment of organizational checks and balances including an appropriate segregation of front/back and/or middle office functions:
(d) Creation or a culture in which understanding and managing risk is everyone's responsibility.
(e) Independent control groups. including, where possible: a risk manager reporting and/or having access to. CEO, Board, Executive Committee or the like. and
(f) Senior management and board level understanding of risks. definition of risk tolerances. and setting of risk management and ethical tone.

12.3.1 **Definition of Roles and Responsibilities**

In order to fulfill the duty to identify, measure and manage the risks relevant to the Collective Investment Schemes, AMCs should define an organizational structure in which risk management roles and responsibilities are clearly defined including written policies and other procedures identifying the specific people within the organization who are authorized to approve various actions, make exceptions lo various policies etc. Boards of Director have a responsibility to understand the major risks applicable to their firms and approve and periodically review the firm-wide risk management framework including how risk is to be identified, assessed, monitored and controlled. Senior management is responsible for overseeing the establishment and implementation or a risk management framework. including policies, procedures, systems & methodologies and for assuring that they are compiled with. A management that considers the Risk attributable to new product and strategies before they are approved for first use and periodically thereafter, that sets risk tolerances and makes sure they are adhered to and receives information on an ongoing basis sufficient to enable it to anticipate problems and makes midcourse corrections is a management that is less likely to encounter the types of problems including unanticipated losses, reputational and operational blow-ups, style drift and guideline breaches, that have caused losses to investors and buy-side firms in the past. Line managers should be responsible for complying with applicable policies and procedures and should be evaluated on how well they do so. Portfolio managers should be responsible for maintaining levels of portfolio risk consistent with representations made to clients and/or required by client guidelines. (Risk levels should be monitored with a view to preventing both insufficient and excessive risk-taking.) Operations personnel should be responsible for adhering to operational policies and procedures to control risk. Control groups should be responsible for measuring and monitoring risk and for conducting independent reviews of compliance with risk management and other policies.

12.3.2 **Policies and Procedure**

The risk management process should be appropriately documented, formalized and traceable in the procedures and organizational rules of the AMC. The corresponding documents should be referred to as “risk management policy". The risk management policy should be approved, reviewed on a regular basis and if necessary, adjusted by the Board or Directors. In particular, with respect to the organization and functioning of the process, the risk management policy should:

(a) identify the personnel and unit(s) that are in charge of the different parts of the risk management process.
(b) define the principles and methods for the periodic identification of the risks relevant to the Collective Investment Schemes.
(c) set out the terms of the interaction between the risk and the investment management processes in order to keep the Collective Investment Schemes risk profile under control and consistent with the Collective Investment Scheme investment strategy· and
(d) define the terms and frequency of risk management reporting to Senior Management and to the Board of Directors of the Company.

ln addition to written policies and procedures, AMC must also adhere to investment guidelines disclosed in the Constitutive Documents of the Scheme.

12.3.3 **The Risk Management Function**

AMCs should specifically identify the relevant unit, department or personnel in charge of carrying out the risk management tasks (the risk management function). The risk management function should he hierarchically and functionally independent from the operating units where appropriate and proportionate in view of the nature, scale and complexity of the Company's business and of the CIS it manages. For the risk management function lo operate successfully, a degree of separation from the Company’s front-office functions is required. Where it is not appropriate or practical to have a separate risk management function, the AMC should nevertheless be able to demonstrate that specific safeguards guarantee that risk management function is carried out with an adequate level of independence.

The risk management function should implement the risk management pol icy & procedures and should report directly to the Senior Management and submit a periodic report lo Board of Director. It should operate in accordance with adequate standards of competence and efficiency. An efficient risk management function requires adequate mean and organization. In particular, the risk management function should have the necessary personnel, with the skills, knowledge and expertise needed to be accountable for the responsibilities that are placed upon them. The risk management function should employ sound processes.

professional expertise, adequate techniques and I'T structures. The risk management function should be responsible for the identification, monitoring and measurement of risks and the implementation of the methods and procedures necessary for this purpose, including the drafting of the related documentation.

12.3.4 **Risk Management Committee (RC)**

It is generally a board level subcommittee constituted to supervise overall risk management functions of the AMC. The structure of the committee may vary in AMCs depending upon the size and volume of the business. Ideally, ii should be headed by independent director and should constitutes at least three directors. The terms of reference of this committee may cover the following: -

(a) Developing and reviewing detailed risk management policies and guideline specifying risk tolerance of the AMC:
(b) Ensuring that risk management system has the requisite tools to identify and manage all relevant risks including the credit. market, liquidity and operational risks:
(c) Ensuring that risk management function has the capacity to obtain timely information necessary to apply risk management policies and procedures which allow for the accurate and timely measurement and aggregation of risk exposures. and
(d) To submit its recommendations to the board of directors together with the explanation or their purpose and likely effects.

12.3.5 **Reporting to the Board of' Directors and the Senior Management**

The AMCs should implement and maintain efficient internal reporting by the risk management function. The terms, contents and frequency of this reporting should be defined in the risk management policy. The risk management function should report regularly to the Senior Management and if necessary to the heads of the different operational departments, highlighting the current level of the risks relevant to the CIS and outlining any actual or expected breaches to their limits to ensure prompt and appropriate action is taken. Periodic written reports should be submitted to the Board or Directors. providing an in-depth analysis of the consistency between the actual risks and the risk profile of the CIS. The risk management function should periodically report to the senior management about the results of the controls regarding the risk profile of the CIS, the overall adequacy of the risk management and the measures taken to address any deficiencies.

12.3.6 **Segregation of Function**

AMCs should be organized in a manner that provide appropriate checks and balances. This necessitates the segregation of control functions from line functions as well as the segregation of front office functions from middle/back office functions to ensure independent verification or trade details and valuations etc.

Depending on the size and complexity or the organization. as well as its culture, this may necessitate dividing responsibilities between a front. middle and back office or in the alternative, front and back office only. From control perspective, the existence or nonexistence of a middle office is not particularly important. What is important is that the front office person responsible for bringing in new clients and/or entering into transactions. i.e., the marketer, portfolio manager or trader, is not the person (or the subordinate or superior or the person) responsible for determining the acceptability of the client or counterparty from a credit perspective or for checking and entering full trade details, confirming, comparing and settling the trade, valuing the trade initially and on an ongoing basis, monitoring the risks attributable to the transaction (consistent with the risk measurement system that has been established). and determining whether it is acceptable to exceed established limits without participation of various control groups.

Appropriate segregation or functions should require that trades be verified. confirmed. compared. valued. etc. by people other than traders and that independent checks and balances exist at every stage or the process to prevent intentional or unintentional misstatements and other errors to remain unresolved.

12.3.7 Understanding and Managing Risk is Everyone's Responsibility

While designated risk management professionals play n significant role in managing and controlling risk, risk management is much more than policing and enforcing limits. Viewed in the broadest sense risk management is the responsibility of all. Employees at every level should be cognizant of risks and willing to do their part to make sure those risk within their sphere or responsibility are managed in a manner that is consistent with the firm's policies and disclosures provided to clients. Even the most detailed and sophisticated risk management programs are likely to be not effective in the absence of a risk conscious culture.

12.3.8 Establishment of a Risk Conscious Culture

One of the most important risk controls an AMC can have is a risk conscious culture in which risks are well-understood, tolerances are clearly defined and risk/return tradeoffs are considered. Creating a risk conscious culture requires conscious effort by senior management. In addition to determining and communicating their risk tolerances, senior managers set the ethical and fiduciary tone for the organization. Whether or not this necessitates the adoption of a formal or a less formal ethics policy but equally rigorous articulation of values. Effective risk management involves having senior management define both the risk profile and values of the organization and communicating them to employees at the outset or the employment relationship and periodically thereafter and require that those values be adhered to at all times by themselves and their employees.

12.3.9 Internal Audit

An AMC should have a process (for example. an audit committee of the board) that approves the audit program. Internal audit should provide independent assurance to the board. its audit committee or an appropriate senior manager of the integrity and effectiveness of the systems and controls in place for risk management and should make recommendations where appropriate. Internal audits should be conducted to review compliance with the overall risk management policies and procedures. AMCs should establish a system of independent ongoing assessment of its investment risk management processes and the results should be communicated directly to the board of directors, its audit committee. and/or senior management according to their materiality. Internal auditors should have the requisite level of training and expertise in investment risk management in order to be effective.

12.3.10 **Compliance**

The board of directors and senior management should ensure that a named individual is responsible for all compliance matters and that individual should be independent of the risk-taking units. The AMC should have a process for the dissemination of compliance information. ensuring that it has up-to-date staff trainings and that regular compliance reports are produced. Further, it should ensure that there is a procedure to ensure the monitoring of compliance with the overall investment strategy, policies and procedures, legal and regulatory compliance requirements, and the notification of compliance breaches and senior management response and follow up. Senior management and the board of directors should receive regular, timely reports on compliance. A proposed investment decision should have adequate documentation demonstrating that the decision is in compliance with the investment policies and the risk management framework,

12.4 Risk Management Process and Procedure

The risk management procedures should ensure that the actual level of the risks incurred by the CIS remain consistent with its risk profile as defined by the Board of Directors in the Constitutive Documents. The risk profile of the CIS should reflect the level of the identified relevant risks that arise from its investment strategy, as well as their interaction and concentration at portfolio level. Risk management procedures can be understood as the set or actions aimed at:

(a) identifying and measuring the relevant risks.
(b) assessing their consistency with the CIS risk profile.
(c) fostering through the appropriate reporting channels the adoption of remedial measures in case of deficiencies. and
(d) monitoring the efficacy of the action taken.

12.4.1 **Identification of Risk**

The risk management process should assess and address all risks relevant to the CIS. Relevant risks should be identified among all possible risks incurred by the Cl S. according to the methods and principles de lined by the risk management policy of the AMC. The risk management process should regard as relevant the material risks that stem from the investment objective and strategy pursued by the CIS, the trading style adopted by the managers and the valuation process. The identification of risks relevant to the CIS should be conducted under the responsibility of the risk management function, whose advice should therefore help the Senior Management provide a meaningful description of the risk profile of the CIS. However, this identification process should not be a static exercise but, on the contrary. should be periodically revised to allow for possible changes lo market conditions or the CJS investment strategy. The risk management function should carry out an appropriate identification of the material risks relevant to the CIS without being bound by the use of a specific risk management model (techniques, methods and technical instruments) within the AMC.

12.4.2 **Risk limit**

The risk management policy or the AMC should provide tor each CIS a system of limits concerning the measures used to monitor and control the relevant risks. These limits should be approved by the Board of Directors and be consistent with the risk profile of the CIS. The limit system should refer to the risk profile of the specific CIS and should set appropriate limits for all potentially relevant risk factors. That is, it should cover all risks to which a limit can be applied and should take into account their interactions with one another. Without prejudice to the limits imposed by the regulations an AMC should define for each CIS the limits that should be complied with by the CIS to maintain consistency with the chosen risk profile. The risk limit system should be consistent with the CIS' investment strategy. The self-defined risk limit system provides for an appropriate way to manage and control risk and should be respected as part of the ongoing risk management process. The AMC should ensure that every transaction is immediately taken into account in the calculation of the corresponding limits. The limit system should be clearly documented and records should also be kept of cases in which the limits are exceeded and the action taken.

12.4.3 Exception Reporting

The risk management policy should define procedures that, in the event or breaches to the risk limit system of the CIS, result in a prompt correction of the portfolio and provides timing of this. In order to achieve this objective, the process should be designed to trigger a prompt reaction from fund managers if the CIS target risk limit is breached. In order to ensure an efficient rebalancing of the portfolio in these circumstances, the risk management process should employ risk management tools and measurement techniques which are able to provide precise information about the most relevant risk factors to which the CIS is exposed. The risk management process should allow warnings to be generated so that appropriate corrective measures may be taken on a timely basis to prevent breaches. While ongoing warnings should primarily relate to the imminent breach of the predetermined risk limits as set by the risk limit system of the CIS, exceptional warnings may result instead from specific risk assessments addressing possible forecast scenarios that result from a particular concern. In this context. stress tests may contribute to the generation of exceptional warnings which should be adequately taken into account within the investment decision-making process.

12.4.4 Monitoring of the Risk Management Process

The Board of Directors should receive on a periodic basis written reports from the risk management function concerning:

(a) the adequacy and effectiveness of the risk management process.
(b) any deficiencies in the process with an indication of proposals for improvement. and
(c) whether the appropriate remedial measures have been taken.

The risk management function should review the adequacy and effectiveness of measures taken to address any deficiencies in the risk management process. The risk management process should be subject to appropriate internal or external independent oversight. The risk management function should periodically assess. and consequently, report to the Board of Directors. the adequacy and efficiency of the structures. procedure and techniques adopted for risk management.

12.5 Investment Risk Management

12.5.1 Market Risk

Market risk includes:

(a) interest rate risk: risk of losses resulting from movements in interest rates. to the extent that future cash flows from assets and liabilities are not well matched, movements in interest rate scan have an adverse economic impact.
(b) equity and real estate risks: risk of losses resulting from movements or market values of equities and other assets. and
(c) currency risk: risk or losses resulting from movements in exchange rates. lo the extent that cash flows. assets and liabilities are denominated in different currencies. currency movements can have an adverse impact.

An AMC should be able to measure its market risk exposure across risk factors (i.e. interest rate, equity and currency) and across the entire portfolio. The AMC should set appropriate metrics to measure exposure to market risk factors.

12.5.2 Liquidity Risk

Liquidity risk is another key element of market risk that requires significant attention. There are two key components of liquidity risk:

(a) The liquidity of individual instruments and the implication of such liquidity for pricing. and
(b) Any mismatch between the liquidity of the portfolio versus the liquidity provisions offered to investors.

An AMC should establish liquidity risk management policies and procedures that form an integral part of their broader risk management framework. As part of these policies and procedures. AMC is expected to continuously monitor their CIS' liquidity profiles and ensure that appropriate levels of liquidity are maintained in the CIS taking into account the liquidity available in the underlying asset market(s), redemption flows or other liabilities. AMC should also make adequate contingency funding plan for meeting liquidity requirement in case of contingency. AMC should also put in place and periodically test contingency funding plans with an aim to ensure that any applicable liquidity management tools can be used where necessary, and if being activated. can be exercised in a prompt and orderly manner.

12.5.3 Credit Risk

There are two types of credit risk that are relevant to AMCs:
(a) Issuer credit risk is the credit risk attributable to individual securities. and
(b) Counterparty credit risk is the risk attributable to the downgrading and/or insolvency of a counterparty.

In dealing with issuer credit risk. asset managers typically rely on either rating agencies' assessment where available or their own internal rating systems based on a combination of internal and external analyses. The degree to which independent issuer credit analysis is appropriate differs from firm to firm, depending on the nature of the instruments traded. size.

resources and other factors. AMC should conduct independent assessment of credit worthiness of the counter party while taking credit exposure.

Counterparty credit risk is the risk of loss attributable to changes in the ability of counterparties to meet their financial obligations. Exposure to individual counterparties may be present in many different parts or an organization. For example, an AMC may trade, do repos and securities lending with and buy debt and equity issued by a counterparty with whom it has outstanding derivatives transactions. AMC shall develop a comprehensive approach to manage counterparty credit risk and consideration should be given to tracking this risk on an aggregate basis.

12.5.4 **Concentration Risk**

The risk measurement process should allow adequate assessment of the concentration and interaction of relevant risks at the portfolio level. Concentration risk can affect a portfolio in several ways. A concentrated. undiversified portfolio has unique risks inherent in its structure. In addition, large concentrations in individual instruments can make liquidation at mark-lo-market prices difficult if those mark-lo-market prices are based on typical transaction size and do not reflect the size of the position. As a result, mark-to-market values can differ significantly from liquidation values.

In addition to concentration risk at the portfolio level. AMCs face concentration risk across portfolios with respect to both individual investments and strategies. Excessive concentrations across portfolios and excessive exposure to particular factors (for example value vs. growth) have the potential to put a AMC al risk and need to be tracked and understood.

12.5.5 **Leverage Risk**

Leverage can be defined in a variety of ways. The most commonly used definitions involve borrowed money. However, instruments such as options have 'embedded leverage' and instruments such as futures create leverage due to the way they are margined. One common definition of leverage decomposes every instrument into its effective notional long and short components. The total value of the longs plus the total value of the shorts is then divided by the net asset value to compute leverage. Regardless how leverage is defined, it is important from a risk management perspective that the incremental risks to a portfolio attributable to leverage should be understood, tracked and controlled.

12.5.6 **Investment Risk Should be Measured and Monitored**

Regardless whether risk tolerances have been selected by the client or asset manager. various metrics should be considered to measure and monitor investment risk. Some common metrics include standard deviation, tracking error, expected shortfall. downside semi-standard deviation and value at risk (VaR). While each metric is useful, none tells the entire story. Thus, it is useful to employ a combination of metrics. Measuring risk can be done on either an ex post or ex ante basis as both can be important to a robust approach. Where back-testing is used expected returns, risks and correlations should be updated and reassessed based on comparisons of risk and returns to what back-tests have forecast.

12.5.7 Performance Measurement and Monitoring

Performance analysis is an important facet of investment risk management. Every portfolio should have a defined benchmark or other objective and should be monitored against that benchmark or objective. Performance attribution should be undertaken to isolate the factors that have contributed to under or over performance.

12.5.8 Techniques and Tools of Risk Management

The risk management policy of AMC should specify the techniques and tools that are deemed suitable to measure the relevant risk factors attached to the investment strategies and management styles adopted for each CIS. Measurement techniques include both quantitative measures as regards quantifiable risks and qualitative methods. Ongoing risk management operations involve the computation of' a number of quantitative measures (the risk measurement framework), more or less sophisticated in terms of meaning and methodology, which generally aim to address the effects of' market risk. credit risk (including issuer risk and counterparty risk) and liquidity risk. The computation of these {more or less sophisticated) measures is carried out by IT systems and tools. which may need to be integrated with one another or with the front-office and accounting applications. Consequently, while the choice of the risk measurement framework should depend primarily on the characteristics of the investment strategies of the CIS under management (higher-risk profile CIS may need more complex measures than plain low-risk profile ones), this may also partly reflect the diversity in size and complexity of the business and organization or the AMCs. However, AMCs should employ sufficiently advanced risk measurement techniques, being expected to keep up to date with and consider the use of leading market solutions in the interests of investors. If CIS invest in structured products their multiple risk components should be appropriately identified and managed. When quantitative measurement of the effects of some risk factors is not possible, or produce unreliable results, AMCs may consider integrating and adjusting their figures with elements drawn from a variety of sources, in order to obtain a comprehensive evaluation and appraisal of the risks incurred by the CIS. This approach is also likely to apply lo the assessment or non-quantifiable risks, such as operational risk.

12.5.9 Stress Testing

Stress tests are usually meant to capture the possibility of rare and severe losses which could occur during market shocks and which are unlikely to be measured by the models as they tend to follow structural breaks in the functional relationships between market variables (sudden shifts of crucial model parameters). Stress tests should cover all quantifiable risks which affect to a material degree, the value or the CIS with particular attention given to those risks which are not represented with sufficient accuracy by the risk models used. Such risks might include, for example. Unexpected changes, to price correlations or to asset (or even market) liquidity. Stress test may reflect subjective scenario hypotheses based on evidence concerning trading and market conditions (that may relate to either specific securities or an entire portfolio) during past periods or turmoil. However, such scenario should not merely mirror historical conditions. but should elaborate on the assumption that similar dynamics could affect the risk factor arising from the CIS outstanding exposures. When the investment strategy of the CIS is based on specific trading or portfolio models and algorithms the risk management function should be adequate to assess and control their use. AMC should conduct ongoing liquidity assessments in different scenarios. which could include fund level stress testing. Liquidity stress testing can be used by AMC to assess the liquidity characteristics of the CIS's assets relative to the CJ S's anticipated redemption flows under stressed market conditions and to tailor the Cl S's asset composition, liquidity risk management, and contingency planning accordingly.

The performance and oversight of stress testing should be sufficiently independent from the portfolio management function. AMC should maintain appropriate documentation of stress resting and should be able to provide the relevant information to authorities.

12.5.10 **Risk, Measurement and Asset Valuation**

Valuation risk is a subcomponent or investment risk that is key for asset managers because inaccurate valuations result in incorrect NAVs, potentially causing unfair treatment to one set of investors versus another, and possibly inflating manager incentive compensation, investors who buy in at inflated prices are unfairly redeemed at deflated prices are unfairly disadvantaged. Fair and accurate valuations are essential.

The risk management function should provide appropriate support to the valuation process concerning exposures to illiquid assets, structured securities and complex derivatives. If robust market prices are available. the risk measures should be computed relying on a complete and adequate time series of marked-to-market values. However, when measuring risks of' illiquid assets. risk managers should thoroughly check the robustness of their estimates, testing the data used for the computation against the valuations of actual comparable trades. Assumptions and models underlying pricing of illiquid. structured financial instruments (whether or not they embed derivatives) or complex derivatives should be consistent with the risk measurement framework used by the AMCs. These should be maintained and revised over time accordingly (using back-testing etc.).

A valuation committee can provide important supervisory oversight or the AMC's procedures for valuing portfolio instruments, a valuation committee is often responsible for:

(a) approving overrides of prices.
(b) determining what valuation methodology is appropriate in the case of securities for which there me no readily available market quotations, or for which special circumstances make the use of readily available market quotations inappropriate:
(c) approving models and the assumptions lo be used in connection therewith. and
(d) determining fair value for securities for which none of the methods set forth above is deemed to be appropriate.

12.6 Operational Risk Management

In addition to the risks attributable to an asset manager's governance and investment risk management. there are various types of operational risk that need to be addressed. Set forth below are various principles that apply to the management of operational risk.

12.6.1 Operational Risk Measurement and Monitoring.

Operational risk includes all aspects of errors and mistakes that can be made in the ordinary course or business and well as in a disaster. It is important to have adequate monitoring and tracking of all elements of back office operations that can go wrong. This includes foils, reconciliation differences, customer complaints, guideline breaches, systems issue etc. The key to effective operational risk management is to create a process that tracks the various elements of operational risk over time, identities trends that could be an early warning sign of trouble and to implement an exception/escalation process that ensures that problems that are significant, large, aged or growing are dealt with at increasingly higher levels of management. Manual processes are generally more likely to cause operational problems than automated ones which have been thoroughly tested. Therefore, they should receive a heightened degree of scrutiny. Likewise, transactions that need to be forced fit into a system need extra scrutiny.

12.6.2 Availability of Adequate Systems, Processes and Resources

Advances in technology have resulted in the widespread availability of industry standard and proprietary systems for quantitative research. portfolio management. portfolio risk measurement, sales support. trading. settlement and record-keeping. The availability of such tools. while not a substitute for good risk management and oversight. enhances asset managers' ability to track and value positions, allocate trades among various clients measure and monitor risks, improve guideline compliance. control conflicts etc.

Conversely the lack of adequate systems and processes is often a flashing red-light indicative of major risk issues. For this reason, it is appropriate for every AMC to review on a periodic basis the adequacy of its systems, processes and resources. taking into account the nature of its products and businesses, size, customer type and other relevant factors.

12.6.3 Management of Model Risk

Asset managers rely on models for investment decisions, portfolio valuations, measuring and/or guiding risk mitigation, tracking limits & guidelines, analyzing business strategies. etc. AMCs should deal appropriately with the possible vulnerability of their risk measurement techniques and models (model risk). The quality of risk model-based forecast should be demonstrably assessed. Essentially, the risk management function should run documented tests to verify that model-based forecasts and estimates correspond, with the appropriate confidence level, to the actual values of the relevant risk measures (back-testing). Back-testing should be carried out separately for every technique used in the risk measurement framework: tests should be run prior to inception (model calibration and internal validation) and. subsequently, on an ongoing basis to check how the model's viability and robustness hold up over time. AMCs should also assess in advance the validity range, market conditions and any inherent or assumed· 'limits of their risk measurements, which generally result from the assumptions underlying the models or the estimation of their parameters. This assessment should be carried out, if needed, through additional diligences which include stress tests.

12.6.4 Back up, Disaster Recovery and Business Continuity Plan

AMCs should have in place contingency and business continuity plans to ensure their ability to operate as going concerns and minimize losses in the event of severe business disruption.

This should cover: -

(a) Offsite backup of key systems and information.
(b) Details of key suppliers and service providers in case of disaster.
(c) Details of availability of necessary redundancies including infrastructure redundancies as well as operational, human capital and human-resource related issues such as transportation, medical care, accommodating extended absences, law enforcement and insurance issues, among others.

12.6.5 **Effective Records Management**

More information and records are created and stored today than ever before. As a result, it is becoming increasingly important for AMCs to establish and maintain an effective records management program that addresses the creation, identification, retention, retrieval, and ultimate disposition of records. In creating and administering such programs, firms may want to consider mechanisms necessary to comply with any preservation obligations resulting from litigation or governmental examinations or inspections. Factors contributing to an effective records management program include:

(a) realistic and practical policies that are tailored to the particular organization.
(b) employees being aware of and trained regarding their responsibilities.
(c) periodic testing of the program to ensure that it is working as intended. and
(d) revising the program as necessary to adjust to changing circumstances and regulatory environment.

12.6.6 **Effective System Security**

AMCs typically are in possession of confidential client, employee and other sensitive information. In addition to having a fiduciary duty to maintain the confidentiality of such information, in many instances they are also subject to privacy and secrecy laws which require not only the safeguarding of such information but also, timely notification of breaches of security. In light of' the business, legal and reputational risks associated with breaches or security, maintaining effective information security is critically important. Among other things, this includes:

(a) Physical Security - i.e. the focus on restricting access to building infrastructure & office space and the safety of personnel. General Controls include physical barriers (security guards, turnstiles etc.) and ensuring that proper background / reference checks are performed for all personnel and third-party service providers. Application controls include door locks, surveillance cameras and environmental monitoring.

(b) Network Security - i.e., protecting the corporate network from malicious software attacks, the mass loss of data, and unauthorized access by external parties. General controls include internet firewalls, proxy servers. content filters, anti-virus, anti-Spam. software patch management, remote access security and the continuous monitoring of the network perimeter. Application controls include multi-factor authentication and encryption.

(c) ln formation Security - i.e. preserving the confidentiality and integrity of information as it is collected/ created, stored, transported, shared / distributed, and retained or destroyed. Where feasible information 'and systems should be classified and access should only be granted on a need to know basis. General controls include information security policy, awareness training. disposal procedures, access and identity management. and change. problem. and quality management. Application controls include encryption, event logging and the ongoing control testing 01· high risk information and systems.

12.6.7 Fiduciary Responsibilities

Fiduciaries have a legal obligation to act in the best interest of their clients. lo treat all clients Fairly and to meet a very high standard of care. For AMCs acting in a fiduciary capacity. it is important that the nature and extent of their fiduciary duties be clearly understood by employees and clients alike. To accomplish this. fiduciary obligations should be clearly spelled out in applicable investment or management agreements and other legal documentation, and understood by all relevant parties. Equally important. employees need to be cognizant of their fiduciary obligations and to consider those obligations in their ongoing decision-making. If a particular action or decision would benefit one investor or class of investors over another. or other conflicts of interest exist. such action. decision or conflict should be considered from a fiduciary risk perspective and appropriately disclosed and or resolved. The incorporation of a fiduciary mindset into a firm's culture is itself a risk control.

12.6.8 Risk Pertaining to Subadvisors, Custodians and Outsourced Service Providers

AMCs often rely on third parties including subadvisors, custodians and various types of outsourced service providers who perform operational. accounting, recordkeeping and other types of services. In utilizing the services or such third parties. it is important from a risk management perspective to keep in mind that asset managers have ongoing fiduciary obligations to their customers even though they have delegated certain of their responsibilities to others. It is therefore critical to perform careful reviews or the capabilities of third parties at inception of relationships and on an ongoing basis and to review information provided by third parties for completeness. balance and accuracy in order to be able to determine whether such third parties meet the risk management, credit. operational, legal and other relevant standards of the reviewing company with respect to the function they are performing. It is not sufficient to merely ascertain that a prospective subadvisor or provider of outsourced services has in place risk management controls: rather. a qualitative judgment as to their sufficiency needs to be made. Where feasible, on site visits to subadvisors. custodians and other key service provider should be part of the initial and ongoing due diligence.

12.6.9 New Products and Strategies Risk

The asset management industry is constantly evolving and new products are being developed. Written policies regarding new product development and launch can reduce risk. The approach that can be used is a new product committee/ Management Committee that typically includes representatives of the front office, operations, systems, risk management. legal. and financial control. Each member is responsible for identifying issues raised by the product within his/her area of responsibility and making sure that these issues are satisfactorily resolved in advance of approval and first use of the product. The decision whether to trade a new product and how to address whatever risk, legal. systems, operations or other issues it raises should be considered and resolved prior to launch of the product.

12.6.10 **Reputation Risk**

In fiduciary businesses, reputation is critical. History has shown that the harm caused by reputational risk can be grossly disproportional to the injury caused to investors b matters giving rise to that risk. Sources of "reputational" exposures are present in virtually every facet of an AMC's business and every business/client relationship an AMC enters into. These issues must be evaluated on a continuing basis. To prevent problems from developing. senior management must articulate, adhere to (and require others Lo adhere to) clear ethical standards and create u risk conscious culture. Asset managers must always remember that they are fiduciaries. To the extent a written ethics statement is in place, it should address how key conflicts are handled so as to control conflicts between the interests of multiple clients and the interests or the firm and its employees.

CHAPTER 13
MERGER OF OPEN-END SCHEMES

Requirements for Approval of Merger of Open-End Schemes[144]

Regulation 58(1)(m) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") provides that no NBFC shall, inter alia, merge Collective Investment Schemes without prior approval of the Securities and Exchange Commission of Pakistan (the "Commission"). The AMCs) shall complete the requirements as provided herein for merger of Open-End Schemes:

13.1 Application to the Commission under Regulation 58(1)(m)

The application for considering the approval of Scheme of Merger of the schemes shall be submitted by the concerned AMC, or jointly signed by both AMCs in case of merger of the schemes of different AMCs, to the Commission under Regulation 58(1) (m) along with the following documents/information:

13.1.1 Certified copy of the resolution passed by the board of directors of concerned AMC approving the Scheme of Merger.

13.1.2 NOC to the Scheme of Merger by the respective trustee of the schemes.

13.1.3 Approval from other concerned authorities, as may be required.

13.1.4 Details of assets (including portfolio detail) and liabilities of the respective schemes along with details of the provisioning held if any, as of the date immediately preceding the date of application.

13.1.5 Copy of the notice published in the newspapers for calling the meeting of the unit holders indicating time, place and objective of the meeting.

13.1.6 An undertaking by the AMC that it has disclosed all material facts regarding Scheme of Merger to its unit holders and the trustee.

13.1.7 Certified copy of the minutes of the meeting of unit holders of each scheme called for the approval of the Scheme of Merger. The said minutes shall be signed by concerned AMC as well as trustee of the schemes.

13.1.8 Copy of a complete set of the information/documents as placed before the unit holders of the concerned schemes in their respective meeting.

13.1.9 Confirmation from the AMC that the requirements as laid down herein have been duly complied with and no other law has been violated. and

13.1.10 Any information/document as may be required by the Commission to consider the application for approval of Scheme of Merger.

[144]SECP Circular No. 20 of 2009 dated June 23, 2009

13.2 Requirements for holding the meeting of unit holders for approval of the proposed Scheme of Merger

The following requirements shall be observed for holding the meeting of the unitholders:

13.2.1 Notice of the meeting for considering the proposed Scheme of Merger of schemes indicating time, place and objective of the meeting shall be given to every unit holder of each of the scheme and shall also be published in one daily newspaper of wide circulation across Pakistan.

13.2.2 Meeting of unit holders of each of the scheme for considering the proposed Scheme of Merger shall be held within five working days from the close of register for determining eligibility of unit holders for participation in the meeting.

13.2.3 Proposed Scheme of Merger, statement of material facts and other pertinent information/documents shall be made available to the unit holders.

13.2.4 Trustee of the concerned scheme shall attend the meeting of unit holders.

13.2.5 Proposed Scheme of Merger shall be placed, in the meeting, before the unit holders of each scheme separately along with the following:

(a) Net Asset Value per unit (NAV) along with the details of assets (including portfolio detail) and liabilities of all the schemes being considered for merger as of the date immediately preceding the date of the meeting.

(b) Provisioning policies of the schemes being considered for merger and the details of provisioning held, if any, for all the schemes as of the date immediately preceding the date of meeting.

(c) Swap Ratio calculated on the basis of the NAV of the schemes as of the date immediately preceding the date of meeting.

(d) Date for calculating the actual Swap Ratio (based on NAV of the concerned schemes) to be used for merger of the schemes.

(e) Present asset allocation of all the schemes being considered for merger i.e. before the merger and effect of merger on the asset allocation of the surviving scheme i.e. post-merger asset allocation.

(f) Constitutive Documents of the surviving scheme. and

(g) Statement of material facts including, investment policy and objective of surviving scheme, type of units to be issued, any restrictions on unit holders, post-merger management fee, applicable front-end and back-end load, treatment of un-amortized cost, other charges etc.

13.2.6 Scheme of merger shall be approved by a resolution passed by a majority of unit holders representing three fourth in value of the total outstanding units of the concerned scheme at a meeting called for the purpose. It is clarified that unit holder of an open-end scheme may cast vote on resolution of merger of open-end scheme by physical presence in the meeting or through proxy or by post. Further, any requirements prescribed under Circular No. 19 of 2012 regarding "procedure for convening meeting of the unit holders of Open End and Close Collective Investment Scheme" which are in addition to the requirements of circular No. 20 of 2009 are also applicable in terms of meeting for merger of open-end schemes, except for clause 26 of circular No. 19 of 2012.[145].

13.3 Other requirements

The following other requirements shall need to be observed:

13.3.1 The schemes to be merged shall neither redeem nor issue units after the close of register for determining eligibility of unit holders for participating in the meeting for considering the proposed Scheme of Merger. Subsequently, if approval by the requisite majority of the unit holders of each scheme has been granted to the proposed Scheme of Merger, issuance and redemption of units shall remain suspended till the effective date of merger. In case the proposed Scheme of Merger has not been approved by the requisite majority of unit holders of any concerned scheme, the issuance and redemption of units shall be resumed.

13.3.2 In case, NAV of the schemes for which merger has been approved by the unit holders, fluctuates and affects the Swap Ratio by 15% or more prior to the effective date of merger when compared to Swap Ratio as of the date immediately preceding the date of meeting of unit holders, the Scheme of Merger based on the latest NAVs shall again be placed before the unit holders of the concerned schemes.

13.3.3 No fee and expenses relating to the merger shall be charged to any scheme.

13.3.4 Where the merger has been approved by the Commission, the AMC on behalf of the surviving scheme shall submit a report on the status of such scheme along with the following:

(a) Details of assets (including portfolio detail) and liabilities of the surviving scheme along with statement of unit holders' fund as of the effective date of merger.

(b) Post-merger asset allocation of the surviving scheme. and

(c) Certificate from the auditors of the respective scheme that NA V considered for calculating Swap Ratio for merger has been determined in line with the requirements of Constitutive Documents of the concerned schemes and the Non- Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the Regulations.

[145] SECP Email dated June 03, 2013

CHAPTER 14
PROCEDURE FOR UNIT HOLDERS MEETING

Procedure for Convening Meeting of The Unit Holders of Open End and Close End Collective Investment Schemes[146]

The Regulation 41(q) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), empowers the trustee of an Open-End Scheme and Close End Scheme ("CIS" or "scheme") to call a meeting of unit holders, in such manner as specified by the Commission through circular: -

(a) Whenever required to do so by the Commission in the interest of the unit holders. or
(b) Whenever required to do so as per the requirements of the Regulations.

Therefore, in addition to the requirements as stipulated by the Regulations for the meeting of unit holders, the following procedure shall be followed for convening meeting of the unit holders of a scheme.

14.1 General

14.1.1 An AMC managing the scheme shall be responsible for conducting and chairing the meeting of the unit holders. The trustee of a scheme shall attend every meeting of unit holders and ensure that all the requirements as specified by the Regulations for convening the meeting of unit holders are complied with. The unit holders of a scheme may cast vote on a resolution by physical presence in the meeting or through proxy or by post.

14.2 Notice of Unit Holders' Meeting

14.2.1 An AMC shall send through registered post or courier service, notice of meeting of unit holders to each unit holder at his / her registered address along with Proxy Form and a voting paper (Annexure-VIII) at least 7 working days prior to the date of such meeting. Such notice of the meeting shall also be published by the AMC in one issue each of daily newspaper in English and Urdu language having circulation all over Pakistan.

14.2.2 In case of joint unit holders, the notice shall be sent to the address of the joint holder whose name appears first in the record with the AMC and / or its Registrar / Transfer Agent.

14.2.3 The notice of the meeting shall specify complete information about unit holders' meeting such as date / time / venue of the meeting, purpose of the meeting (statement of material facts and other pertinent documents) and requirements for attending unit holders' meeting and voting mechanism. Notice shall also be sent by the AMC to the trustee and the Commission.

14.2.4 The notice of the meeting shall also include a postage pre-paid envelope for facilitating the communication of the assent / dissent of the unit holder(s) to the resolution by post. The self-addressed envelope shall bear the complete address of the Trustee (with the name of the CIS) as scrutinizer.

[146]SECP Circular No. 19 of 2012 dated June 11, 2012

14.3 Proxy Forms

14.3.1 Unit holders of CIS shall submit filled and signed Proxy Form to the AMC along with attested copies of their CNICs. Proxy holder may not necessarily need to be a unit holder of the concerned CIS.

14.3.2 Proxy Form shall be witnessed by two persons with their names, addresses and CNIC numbers duly mentioned on the proxy form.

14.3.3 In case of other than individuals, the resolution of Board of Directors / power of attorney with specimen signature(s) of authorized person shall be submitted to the AMC along with proxy form.

14.3.4 Proxy forms must be received by the AMC one day prior to the meeting.

14.3.5 AMC shall affix receiving stamp (mentioning date and time) and signature on each proxy form.

14.3.6 Proxy form shall not be accepted in case the unit holder has opted to vote by post.

14.4 Voting by Post

14.4.1 Unit Holder(s) desiring to vote by post, instead of physical presence in the meeting may fill up and complete the voting paper (**Annexure-VIII**) and send it to the Trustee.

14.4.2 Voting paper shall be completed and signed by the unit holder(s) as per specimen signature(s) provided to the AMC/ its Registrar/ Transfer Agent.

14.4.3 Original voting paper should reach the trustee of the CIS not later than one day prior to the meeting for consideration by the trustee.

14.4.4 The Trustee shall compile the assent/ dissent to the resolution received by post mentioning the particulars, i.e. names, folio numbers, number of units held by the unit holder, etc. The Trustee shall finalize its report before the commencement of the unit holders' meeting.

14.5 Proceedings of Unit Holders' Meeting

14.5.1 Only those unit holders shall be eligible to attend and vote at the meeting whose names appear in the unit holders' register of the concerned scheme on the date immediately preceding the date of the unit holders' meeting.

14.5.2 An AMC or Registrar/ Transfer Agent ("R/TA") shall record attendance of all the unit holder's / proxy holders present in the meeting with complete list of unit holders of the scheme and specimen signatures of unit holders or any officer of corporate unit holders.

14.5.3 After taking attendance, an AMC or its R/TA shall provide one Voting Paper (Annexure-B) to every unit holder / Proxy holder for his / her filling and signing to cast his / her vote on the proposal. In case of joint holder(s) only one voting paper shall be issued and in case the meeting is attended by more than one joint holder, then the person whose name appears first in the register of unit holders shall be eligible to cast the vote.

14.5.4 After completing and signing the voting paper, each unit holder shall submit duly filled and signed voting papers.

14.5.5 AMC or its R/TA shall count the voting papers, verify contents on voting paper including unit holding and shall perform signature verification.

14.5.6 Trustee shall scrutinize and consolidate the data including the details compiled by it on the basis of the voting papers received by post.

14.5.7 The trustee shall submit its report to chairperson of the meeting. The chairperson shall on the basis of summarized voting results, shall announce the final result of the meeting.

14.6 Criteria for Rejection of Proxy/Voting Papers

14.6.1 The following are the basic criteria for rejection of Proxy/ Voting Papers in meeting:

(a) More than one Voting Paper is cast by a single unit holder/ Proxy holder.

(b) Overwriting/ cutting on Voting Paper.

(c) Unsigned Voting Paper.

(d) Signature of unit holder affixed on proxy form does not match with the specimen signature available in the AMC or its R/T A records.

(e) More than one proxy form is lodged by a unit holder in favor of more than one Proxy holder. In this case, all proxies shall stand rejected.

(f) More than one proxy form is lodged by a unit holder in favor of one Proxy holder. In this case, only one proxy shall be accepted.

(g) Photocopy of CNIC is not provided by Proxy holder.

(h) Proxy forms are not witnessed by two persons mentioning their names, addresses and CNIC numbers.

(i) Proxy form is received after the given time limit, i.e. not one day prior to the meeting.

(j) Proxy form submitted by an institutional investor is not supported by the resolution of Board of Directors / power of attorney authorizing their representative to attend and vote in the meeting.

(k) Overwriting / corrections on Proxy Form which are not supported by unit holder's / Proxy holder's signature.

14.7 Others

14.7.1 Minutes of the meeting of unit holders shall be prepared and signed jointly by the trustee and the AMC of the scheme.

14.7.2 Minutes of the meeting duly signed along with resolution passed by majority representing three fourths in value of the total outstanding units of the concerned scheme shall be sent by the trustee to the Commission within seven working days of the meeting.

14.7.3 All expenses incurred in convening unit holders' meetings shall be charged to the CIS.

14.7.4 Neither the AMC nor the Trustee shall be liable or responsible in any manner in case a voting paper duly dispatched is not received by the unit holder (s) or the duly filled and signed voting paper is not received by the trustee due to delay on part of the postal department or courier service or due to any other, reason beyond the control of the AMC and / or the Trustee.

Annexure-VIII

Sample Voting Paper for voting through post

Unit Holders Meeting:
Date:
Time:
Place:

Name of Unit Holder:
Folio/Account/CDS Account #of Unit Holder:
Number of Units Held:
INSTRUCTION FOR VOTING

PLEASE INDICATE YOUR VOTE BY SIGNING THE RELEVANT BOX OF THE SELECTED OPTION

IN FAVOR OF RESOLUTION:	
AGAINST RESOLUTION:	

Annexure-IX

Sample Voting paper for unit holders who are physically present in the Meeting

Unit Holders Meeting:
Date:
Time:
Place:

Name of Unit Holder:
Folio/Account/CDS Account #of Unit Holder:
Number of Units Held:

Voting as Unit Holder: ____________________ **No. of Units:**

Voting as Proxy: **No. of Units:** ____________________

INSTRUCTION FOR VOTING

PLEASE INDICATE YOUR VOTE BY SIGNING THE RELEVANT BOX OF THE SELECTED OPTION

IN FAVOR OF RESOLUTION:	
AGAINST RESOLUTION:	

CHAPTER 15
CLOSED END SCHEMES

Requirements for Investment by Closed End Schemes in Its Own Certificates and Subsequent Resale of Such Certificates[147]

The following requirements for closed-end scheme ("scheme") shall be complied for investment in its own certificates (hereinafter referred to as "repurchase") and for subsequent resale (hereinafter referred to as "resale") of such certificates:

15.1 Requirements and Procedures for Repurchase of Certificates:

A scheme may repurchase its own certificates from the secondary market up to twenty percent of its issued capital subject to the following conditions:

15.1.1 Repurchase of certificates of the scheme shall not be affected if the price of the certificates of the scheme quoted on the stock exchange(s) on which the scheme is listed equals or exceeds the Net Asset Value (NAV) of the scheme.

15.1.2 The AMC on behalf of the scheme shall develop a repurchase program that shall be approved by at least three fourth of the members of the Board of Directors ("Board"). The repurchase program shall inter alia specify:

(a) eligible discount range for repurchase i.e. percentage difference in market value of certificates of the scheme compared to the NAV of the scheme.

(b) maximum number of certificates to be repurchased.

(c) repurchase period not exceeding three months and which shall not be extended or rolled over. It is clarified that even when close period occurs within the repurchase period, the overall repurchase period plus the closed period shall not extend beyond three months. Additionally, the company shall clearly indicate in its publication under the said circular that a break period may occur in the repurchase period[148].

(d) sources of funds available for repurchase of certificates.

(e) justification for the repurchase. and

(f) effect of the repurchase on the financial position of the scheme.[149]

15.1.3 The Board shall have the discretion to permit the AMC that it may not affect the repurchase of the certificates of the scheme as per the approved repurchase program if the discount as reflected in the quoted price is less than the eligible discount range. The same shall clearly be

[147] SECP Circular No. 14 of 2009 dated May 4, 2009
[148] SECP Letter No. NBFC-II/DD/AAMC/594/2009 dated June 4, 2009

disclosed in the repurchase program.

15.1.4 The Board may delegate powers to the Investment Committee for effecting the repurchase in accordance with the repurchase program and in light of the prevailing market conditions and investment considerations.

15.1.5 The AMC on behalf of the scheme shall inform in writing, the stock exchange(s) on which the scheme is listed, the trustee of the scheme and the Commission about the decision of the Board regarding repurchase of certificates of the scheme on the day the decision is made.

15.1.6 The AMC on behalf of the scheme shall within (3) days of obtaining approval of its Board publish the complete details of the repurchase program ("Public Announcement") and the Net Asset Value per certificate of the business day preceding the date of the Public Announcement in at least two daily newspapers one each in Urdu and English languages, having wide circulation in the federal capital, all the provincial capitals and major cities of the country. The Public Announcement shall clearly specify that the AMC managing the scheme, its directors and employees or the trustee of the scheme are not eligible to sell certificates under the repurchase program. It shall also be clearly indicated in the Public Announcement that any repurchases under the repurchase program shall be made through the stock exchange(s) on which the scheme is listed and in accordance with the securities laws and other exchange requirements.

15.1.7 The copy of Public Announcement shall also be sent through courier or registered mail to all certificate holders of the scheme at their addresses available in the register, to the stock exchange(s) on which the scheme is listed, the trustee of the scheme and the Commission on the date of publication of Public Announcement.

15.1.8 The AMC on behalf of the scheme shall repurchase certificates of the scheme from secondary market only through the automated trading system of the stock exchange on which the scheme is listed through a Purchase Agent appointed by the AMC managing the scheme for this purpose. The Purchase Agent shall be a corporate brokerage house holding a valid broker registration certificate from the Commission, not being an associated company or associated undertaking of the AMC. To effect repurchase of the certificates of the scheme, the AMC shall execute an agreement with the Purchase Agent that clearly states the role and responsibilities of both the parties to the agreement.

15.1.9 The Agreement with the Purchase Agent appointed for the repurchase shall include as an obligation of the Purchase Agent not to sell on his own account under the repurchase program. An additional obligation of the Purchase Agent under the Agreement shall be to make necessary arrangements for the repurchase on all the stock exchange (s) on which the scheme is listed.

15.1.10 The AMC on behalf of the scheme shall send notice to the stock exchange (s) on which the scheme is listed, the trustee of the scheme and the Commission at least one day before commencement of repurchase of certificates of the scheme in accordance with the repurchase program. Such notice shall also contain particulars of the Purchase Agent appointed by the AMC managing the scheme and through whom the repurchase shall be affected. The notice so sent shall be immediately announced by the stock exchange on its website, through notices, etc.

15.1.11 In addition to the above notice, the AMC managing the scheme shall provide the, Commission an undertaking that it meets all the requirements of the repurchase laid down and that the said repurchase is not in contravention of any of the applicable laws, rules, regulations, approvals, contracts, agreements or any obligations of the scheme or the AMC managing the scheme.

15.1.12 The daily repurchase volume of certificates of a scheme shall not be higher than 1% of the issued certificates of the scheme. Furthermore, daily bid(s) shall be made in accordance with the following:

a) bid(s) shall not be made during first half hour and last half hour of each trading session. and
b) size of each bid shall not exceed 10% of the certificates to be purchased on a single day.

15.1.13 For accounting purposes, the investment made in its own certificates by a scheme shall be treated as a contra account to the certificate holders fund (capital).

15.1.14 The certificates repurchased by the scheme shall be held in a CDC account in the name of the trustee of the scheme.

15.1.15 AMC managing the scheme shall not charge any management fee for repurchase made in the certificates of the scheme.

15.1.16 AMC on behalf of the scheme shall not borrow for the purpose of re-purchase of certificates of the scheme.

15.1.17 The certificates held by a scheme on book closure shall not be entitled to any cash dividend. Any certificates allotted as fully paid bonus certificates in respect of the repurchased certificates of the scheme shall be treated as repurchased certificates.

15.1.18 The AMC on behalf of the scheme shall inform the stock exchange(s) on which the scheme is listed, the trustee of the scheme and the Commission about the number of certificates repurchased on the day of closing of purchase period.

15.2 Requirements and Procedures for Resale of Certificates

A scheme may resale its own certificates repurchased under a repurchase program in the secondary market subject to the following conditions:

15.2.1 The scheme shall hold the certificates so purchased for a minimum period of one month of completion of the repurchase period or the last repurchase made by the scheme, whichever is earlier, before it can resell these certificates in secondary market.

15.2.2 The resale of certificates of the scheme shall require approval of at least three fourth members of the Board, which shall indicate the number of certificates to be resold minimum price and justification (“resale program"). The AMC on behalf of the scheme shall resale certificates of the scheme only through the automated trading system of the stock exchange on which the scheme is listed.

15.2.3 The resale price of its own certificates repurchased by a scheme shall not be less than the average re-purchase price of these certificates (after taking any dilution effect, if any).

15.2.4 For accounting purposes, the certificates resold shall result in a reduction in the contra account to certificate holders fund (capital).

15.3 General Requirements

15.3.1 The scheme shall neither be a capital protected scheme nor shall it have limited life.

15.3.2 The Board shall not approve repurchase and resale of certificates of the scheme and the AMC shall not affect a repurchase or a resale program during the pendency of any of the following. Namely:

(a) Voluntary revocation of the scheme by AMC.

(b) Revocation proceedings commenced by the Commission.

(c) At least six months prior to the notice of the meeting of the certificate holders for considering conversion of the scheme into open-end scheme. Further, the Board on behalf of the scheme shall not apply or initiate voluntary delisting or voluntary revocation of the scheme within a period of six months of the close of the Purchase Period.

(d) Inquiry or investigation by the Commission or the State Bank of Pakistan. and

(e) Proceedings relating to mismanagement or change of management of the scheme.

15.3.3 The Board of the AMC managing the scheme shall not approve repurchase of certificates of the scheme before expiry of six months from the date of the Public Announcement for the last approved repurchase program or the completion of the purchase period, whichever is later.

15.3.4 The AMC managing the scheme, its directors and employees and the trustee of the scheme shall not sell or buy certificates to or from the scheme under the repurchase program and resale program.

15.3.5 The AMC on behalf of the scheme shall submit a weekly report to the stock exchange on which the scheme is listed, the Commission and the trustee stating the maximum number of shares authorized to be repurchased or resold, cumulative number of certificates purchased or resold, price-wise breakup of the certificates purchased or resold and the Net Asset Value of the scheme.

15.3.6 The AMC on behalf of the scheme shall disclose in the quarterly, ha1f yearly and annual accounts of the scheme, month-wise break-up of certificates repurchased and/or resold and weighted average price of the repurchase and/or resale.

15.3.7 The AMC on behalf of the scheme shall not repurchase or resale certificates of the scheme during the closed period that shall be 15 days prior to announcement of the half-yearly accounts and one month prior to announcement of the annual accounts and ending on day of announcement of half-yearly and annual accounts or when the scheme or the AMC managing the scheme in its possession of material, non-public, price-sensitive information concerning the scheme.

15.3.8 The AMC on behalf of the scheme shall not issue further capital, except bonus certificates unless all the repurchased certificates are disposed of in accordance with a resale program.

Further such repurchased certificates shall not be disposed of by the AMC on behalf of the scheme through negotiated deals.

15.3.9 Where the Commission is satisfied on its own motion, or on the basis of any information received by it. that it is necessary and expedient so to do:

(a) in the interest of the certificate holders of the scheme.
(b) in the interest of investors or the market generally. or
(c) to prevent the abuse of law or the process laid down in this Circular

it may issue directions to the Scheme, the AMC managing the scheme or any of its directors, the trustee of the scheme, the Purchase Agent. or any other person, including but not limited to:

(a) stopping the AMC on behalf of the scheme at any stage from making the repurchase.
(b) to do or desist from doing such acts as the Commission may determine. and
(c) carry out such steps as are necessary to rectify the situation.

CHAPTER 16
SEPARATELY MANAGED ACCOUNTS

Minimum Requirements for Undertaking Discretionary and Non-Discretionary Portfolio Management[150]

This Circular applies to the Non-Banking Finance Companies licensed to provide Investment Advisory Services or Investment Finance Services (the "NBFCs") under the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003 (the "Rules") and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") for managing Discretionary Portfolios and Non-Discretionary Portfolios ("portfolio management") for eligible investors as defined in the Regulations (herein after referred to as "investors").

Portfolio management entails a fiduciary responsibility entrusted by the investors to the NBFCs and requires them to act in the best interest of the investors. The NBFCs shall abide, in letter and spirit, the following requirements to undertake portfolio management as applicable on Discretionary and Non-Discretionary Portfolios.

The NBFC shall only provide portfolio management services after it has ascertained and satisfied itself that the prospective client fulfills the prescribed eligible investor criteria and has furnished an undertaking as required under the Regulations.

16.1 Portfolio Management Agreement & Investment Policy Statement

16.1.1 The NBFC shall execute a written Portfolio Management Agreement (the "Agreement") with the investor. The said Agreement shall set out in sufficient detail the rights, liabilities and obligations of each party to the Agreement and shall cover, at minimum the aspects specified in the **Annexure-X.**

16.1.2 The assets constituting or representing the underlying portfolio being managed by the NBFC shall be registered in the name of the concerned investor and NBFC shall neither directly or indirectly hold, nor provide custodial services for any such assets of the investors. NBFCs providing investment advisory services in accordance with the NBFC Regulations, 2008, are prohibited from holding the underlying assets, both cash and securities, of their clients, irrespective of the fact that such NBFCs may also be engaged in providing associated brokerage services to such clients.[151]

16.1.3 The NBFC shall after due consultation with the investor prepare a written Investment Policy Statement ("IPS"). The NBFC shall while devising the IPS, undertake risk and return assessment of the investor and thoroughly evaluate and understand the investor's investment objectives, investment constraints (including tolerance for risk, liquidity needs, time horizon, tax, financial, legal or regulatory constraints) and other unique needs and preferences. The IPS shall form an integral part of the agreement and shall cover at minimum the following aspects:

[150] SECP Circular No. 32 of 2009 dated October 09, 2009
[151] SECP Letter No. NBFC/MFD/1049/2009 dated December 4, 2009

(a) The investor's qualification, knowledge and understanding of the relevant financial markets, types of financial products or arrangements and the risks involved.

(b) The length of time the investor has participated in relevant financial markets, the frequency of dealings and the extent to which the investor has relied on financial advice from investment service providers.

(c) The size and nature of transactions that have been undertaken by the investor in relevant financial markets and the composition and size of the investor's existing investment portfolio, if any.

(d) Investment objectives including types of securities in which investment would be made specifying proportion of exposure and restrictions, if any.

(e) Investor's tolerance for risk i.e. both ability and willingness of client to bear risk, return objectives and a detailed statement of risks specific to investment policies and objectives.

(f) Liquidity requirements, tax constraints and time horizon for investment in relation to specific security and overall portfolio. and

(g) Other unique circumstances, matters or aspects of the investor which the NBFC considers relevant.

16.1.4 The NBFC shall discuss approved IPS with the investor at least annually to determine if the IPS remains appropriate for the investor in light of investor's changing investment preferences or circumstances. Change in IPS shall only be implemented after securing the investor's consent in writing. If the circumstances materially change in the interim and warrant an earlier assessment of the same shall be undertaken by the NBFC and discussed with the investor and appropriate action shall be taken.

16.1.5 The Agreement and IPS shall be signed by the NBFC or its authorized signatories and the investor or its authorized signatories and shall be maintained by the NBFC in its record for inspection purposes by auditors, officers of the Commission, or any other relevant agency/authority. The Commission may at any time demand a copy of the Agreement and IPS to be furnished.

16.1.6 The NBFC shall perform portfolio management for the investor in accordance with the agreement.

16.2 Business Conduct

16.2.1 The NBFC shall, in the conduct of its business, observe high standards of integrity, fairness and diligence. It shall exercise independent professional judgment and ensure proper care in all its dealings with the investors without gaining any advantage for itself, related parties, connected persons or employees which causes detriment to the investors.

16.2.2 The NBFC shall manage portfolio of each investor independent from that of other investors and shall keep and maintain all relevant records, in support of every investment recommendation or transaction.

16.2.3 The NBFC shall establish, maintain and implement written policies and procedures to preserve confidentiality of information provided by the investors and ensure fair and equitable treatment to all investors while providing investment information, making investment recommendations or taking investment actions including fair allocation of trades.

16.2.4 The NBFC shall determine before providing an investment advice or taking investment action on behalf of an investor, whether the investment is suitable in light of the Agreement and approved IPS of the investor and after satisfying itself, recommend or effect an investment decision.

16.2.5 The NBFC shall ensure that all professional dealings are affected in a prompt, efficient and cost-effective manner. It shall not derive any direct or indirect benefit out of the investor's funds or securities other than the fees agreed between the investor and the NBFC.

16.2.6 The NBFC shall establish and implement written policies and procedures to ensure that complaints from investors are handled in a timely and appropriate manner.

16.2.7 The NBFC, on termination of the Agreement with the investor, shall give a detailed statement of accounts to the investor and settle the account with the investor as per the Agreement.

16.2.8 The NBFC shall supply to the Commission, copies of all reports sent to the investor as and when required by the Commission.

16.3 Guarantee by AMCs and IAs regarding Portfolio Management[152]

The Securities and Exchange Commission of Pakistan directs all AMCs having investment advisory services license (AMCs) and Investment Advisors (IAs) to comply with the following in relation to management of discretionary and nondiscretionary portfolios:

16.3.1 No guarantee in any form by whatever name called shall be offered/issued/assumed by any AMC or IA to any of its existing or new client/investor for the protection of principal investment or any return on such investment. In this context, AMCs and IAs shall incorporate the following disclosure clause in all the existing and new portfolio management agreements signed between them and their clients/investors:

*"The **(name of AMC/IA)** does not offer or issue or assume any guarantee for the protection of the principal investment or any return on such investment by **(name of client/investor)** and the investment portfolio of **(name of client/investor)** is subject to market and other risks".*

[152]SECP Direction No. 03 of 2015 dated September 4, 2015

Annexure-X

Minimum Contents of Portfolio Management Agreement

The Portfolio Management Agreement shall, *inter alia,* cover the following aspects:

1. Name of the investor and the NBFC.
2. Scope of services to be provided by the NBFC including functions, obligations, duties and responsibilities (for Discretionary and Non-Discretionary management of portfolio to be given separately) with specific provisions regarding instructions for Non-Discretionary portfolio management.
3. Clear authorization from the investor in case of Discretionary portfolio management.
4. Term of the Agreement and provision for renewal, if any.
5. Conditions, under which Agreement may be altered, terminated and implications thereof, such as settlement of amounts invested and repayment obligations etc.
    (a) Voluntary/mandatory termination by the NBFC.
    (b) Voluntary/mandatory termination by the investor. and
    (c) Mandatory termination in case of cancellation of license of the NBFC.
6. Initial quantum of funds to be managed.
7. Access to information i.e. provisions enabling investor to inspect and get copies of the books of accounts of the NBFC relating to his transactions.
8. The nature, quantum and manner of payment of fees and charges for each activity for which the NBFC renders services.
9. Method and basis of valuation of securities in the portfolio of investor, performance standards/benchmarks and frequency of performance review (quarterly, half-yearly, etc.) to the investor.
10. Details of the custodian arrangement.
11. Liability of the NBFC i.e. liability of NBFC in connection with the recommendations made, to cover errors of judgment, negligence, willful misfeasance in connection with discharge of duties, acts of other intermediaries, brokers, trustees etc.
12. Liability of investor i.e. restricting the liability of the investor to the extent of investor's investment or disinvestment instructions received as per the written Agreement.
13. Governing law/jurisdiction, which governs the Agreement to be stated.
14. Mode and frequency of reporting to the investor (monthly, quarterly, semiannually, annually or on such periodicity as may be decided) at least containing the following information:
    (a) Performance review.
    (b) Details and the composition of portfolio including the value & description of the portfolio, value of each security held in the portfolio and cash balance as on the date of report.
    (c) Details of benefits received during that period including interest, dividend, bonus shares and rights shares.
    (d) Transactions undertaken during the period including date of transaction and details of purchases and sales. and
    (e) Details of fee charged to the investor.

Any change in terms of Agreement shall only be incorporated through addendum to the initial Agreement and after obtaining written approval of the investor.

CHAPTER 17
MISCELLANEOUS

Uniformity in Dealings[153]

The AMCs shall comply with the following in respect of collective investment schemes being managed by such AMCs:

17.1 Designated Points and Time Stamping

17.1.1 AMCs shall designate and disclose the location of its official points for acceptance of applications for issuance, redemption. conversion. etc. of units in the offering document of the open-end scheme(s) as well as on their website. AMCs shall receive the said applications only at such designated points.

17.1.2 AMCs shall ensure that all the designated points for acceptance of applications for issuance, redemption, conversion, etc. of units of open-end scheme(s) have appropriate date and time stamping mechanism for timely acknowledgement of the said applications.

17.1.3 AMCs shall clearly specify cut-off timings for acceptance of applications for issuance, redemption, conversion etc. of units of their open-end scheme(s) including approved administrative plans in the constitutive documents. on the website of AMCs and at the designated points, such cut off timings shall uniformly apply on all the investors /unit holders.

17.2 Announcement of Daily NAV

AMCs shall announce net asset value (NAV) of all open-end scheme(s) (except for Fund of Funds scheme) being managed by them latest by 1830 hours daily on their own as well as on MUFAP's website. However, the NAV of Fund of Funds scheme, shall have announced by 1030 hours of the next business day.

17.3 Suspension of Issuance and Redemption of Units

AMCs shall ensure that in case of" suspension of redemption of units of open-end scheme due to extraordinary circumstances in terms of the provisions of the constitutive documents and Non-Banking Finance Companies and Notified Entities Regulations. 2008 (as amended or replaced) ("the "Regulations"), the issuance of fresh units shall also be kept suspended until and unless redemption of units is resumed. In case, where redemption requests exceed ten per cent of the total number of units in issue of fund on any one dealing day, the redemption requests of AMCs and its sponsors, if any, shall have least priority for redemption on that day[154].

17.4 Closure of Register of Unit-holders

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[153]SECP Circular No. 11 of 2009 dated March 26, 2009
[154] SECP Direction No. 2 of 2017 dated January 13, 2017

The register of· unit holders of open-end scheme may be closed for the purpose of declaration of dividend for a period not exceeding the maximum time period as specified in the constitutive documents for payment of redemption proceeds to the unit holders. In no case, the time period for closure of register for dividend declaration shall exceed six (6) working days at a time and whole forty-five days in a year.

17.5 Amortization of formation cost

All expenses incurred in connection with the incorporation, establishment and registration of collective investment schemes (formation cost) in terms of Regulation 60 (1) & 60 (2) of the Regulations, shall be reimbursable by a collective investment scheme to an AMC subject to the audit of expenses. The said formation cost shall be amortized by collective investment scheme over a period of not less than five years or within the maturity date of collective investment scheme.

17.6 Filing of Monthly Returns through Specialized Companies Return System (SCRS)[155]

SECP has developed an online Returns Submission System in order to facilitate the NBFC's industry and to streamline the submission of information to the Commission. The details of the system and user manual are placed on the SECP website for your information and assistance.

The NBFCs will have to obtain login ID and password from IS & T Department of SECP, to enter the requisite monthly data in the system. For secure submission of returns, Digital Signatures for the CFO and Company Secretary can be acquired from National Institute of Facilitation Technology (NIFT). Therefore, all the NBFCs are required to submit their monthly returns through the Specialized Companies Return System (SCRS) by the 10th of every month.

17.7 Regulatory requirements for branches of AMCs[156]

In order to promote investor protection and facilitation, the Securities and Exchange Commission of Pakistan (Commission), issues the following requirements for branches (place of business) of AMCs:

17.7.1 AMCs shall report to the Commission, details of opening of a new branch, 15 days prior to opening of the subject branch. AMCs shall submit the following information:

- i. Number of existing branches
- ii. Exact location of the branch
- iii. Business prospects for opening the branch
- iv. List of products and services to be offered
- v. System of supervision and control
- vi. Number of employees to be posted
- vii. Name, number and location of branches of other AMCs in the near vicinity

[155] SECP Circular No.1 of 2010 dated January 15, 2010 (not found)
[156] SECP Circular No. 2 of 2016 dated January 22, 2016

Note: Branch or place of business means any permanent point of sale where the employee of the AMC is selling the units of collective investment scheme.

17.7.2 The AMC shall obtain approval of the Commission prior to opening and closing of a branch in any Capital Market Hub and submit the information given at point no.1 above.

17.7.3 AMCs shall report closure of a branch to the Commission with specific reasons, at least 90 days prior to the closure of the branch.

17.7.4 AMCs while closing of their branch shall submit to the Commission, a final statement comprising complete record of the branch, at least 21 days prior to closure of the branch.

17.7.5 AMCs while closing of their branch shall ensure that the public is informed through a public notice in a local daily newspaper at least 30 days prior to the closure of the branch. The information of the same should also be visibly displayed at the respective branch at least 30 days prior to the closure of the branch. The copy of the published public notice shall also be submitted to the Commission within two days of publication.

17.7.6 AMCs while closing of their branch shall inform the investors in writing about future correspondence address/mechanism and transfer their relevant record to the Head Office of the AMC or nearest branch as deemed appropriate.

17.7.7 AMCs may relocate their existing branch within the same city. However, they shall report to the Commission 15 days prior to shifting upon shifting of the existing branch to a new location.

17.7.8 The Commission may inspect the branches of AMCs on a regular basis to ensure that their activities are being conducted in accordance with the prevalent regulatory framework.

17.7.9 AMCs shall ensure the following with respect to their branches:

(a) Appropriate display of certificate of incorporation and valid license to conduct its respective business.
(b) Properly trained staff/human resource.
(c) Security arrangements for the safety of documents and staff.
(d) Proper customer support for filling up of applications and completion of documentation.
(e) Drop box facility for collection of complaints and grievance redressal system/mechanism for prompt and effective resolution of investors' complaints.
(f) Product information relating to various products being offered by the AMC at the branch through printed brochures for the information of potential /existing investors.

17.7.10 AMCs shall place standees written in Urdu language in a clear and concise manner (specimen attached as **Annexure-XI**)with the logo of "Jama Punji", covering the following contents:

(a) What is a mutual fund.
(b) Benefits of investing through a mutual fund.
(c) Procedure for investing through a mutual fund.

17.8 Data Provision Requirement for the AMCs[157]

[157] SECP Directive No. 8 of 2021 dated March 18,2021

All AMC's registered under the Companies Ordinance, 1984 to provide following data to the Mutual Fund Association of Pakistan (MUFAP) within 4 working days after the end of each calendar year.

S. No.	Report Name	Data Fields/Columns
1.	Fund-wise investment and redemption	[Fund Type, Investment, Redemption, Net Investment]
2.	Investor-Wise Break up	[Fund Type, Individuals, Banking and Fls, Provident Fund, Gratuity Fund, Pension Fund, Public Limited Companies, Associated Companies, Funds of Funds, others, total]
3.	Channel-Wise Break up	[Fund Type, Direct investment, through RSP*-individuals, through RSP-Corporates, Banks- Commercial/ Scheduled, others, total

Detailed Format of required data is attached as **Annexure-XII.**

17.9 Eligibility requirements to register as trustee of Open-End Schemes or Closed-End Schemes[158]

The Securities and Exchange Commission of Pakistan hereby specifies the following eligibility requirements to register as trustee of Open-End Schemes or Closed-End Schemes (under clause (f) of regulation 40 of the Non- Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations")and clause (iii) of sub-regulation (1) of regulation 3B of the Real Estate Investment Trust Regulations, 2015 ("REIT Regulation)":

i. A public limited company with principal line of business/primary object clause of providing trustee services to Collective Investment Schemes (CIS), Pension Funds, REIT Schemes and Private Funds under the NBFC Regulations, Voluntary Pension System Rules, 2005, the REIT Regulations and Private Funds Regulations, 2015, respectively;

ii. The company shall have and maintain minimum equity of Rs. 100 million or 0.10% of the net assets under its trusteeship, whichever is higher, at all times;

iii. The Commission may direct the company to fulfil additional capital requirements and the company shall be bound to comply with such direction;

iv. The company shall have at least one financial institution as defined under the Companies Act 2017, or an insurer registered under the Insurance Ordinance, 2000, that has net equity of at least Rs. 1 billion, as a major shareholder.
Provided that in case of a Micro Finance Bank or a DFI as a major shareholder to fulfill the aforesaid requirement, its credit rating shall not be lower than A, while in case of other financial institutions and insurers, the credit rating shall not be lower than AA- (double A minus), from a rating agency registered with the Commission.

v. Any change in shareholding of ten percent or more of the trustee company shall be subject to prior approval of the Commission.

vi. The Board of Directors, major shareholders and Chief Executive Officer of the company shall be subject to prior approval of the Commission and shall comply with the Fit and Proper Criteria as per Schedule IX of the NBFC Regulations 2008. The Commission shall be empowered to remove any or all of the directors on the board of the company in the interest of the investors or capital market.

[158] SECP Circular No. 4 of 2022 dated February 23, 2022.

vii. The company shall comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

17.10 Standard formats of Trust Deeds[159]

17.10.1 All AMCs and Trustees of CISs shall ensure that trust deeds of open-end CISs are prepared in accordance with standard formats given as per **Annexure-XIII** *(for shariah compliant open-end CIS)* and **Annexure-XIV** *(for conventional open-end CIS)***.**

17.11 Requirements Applicable to Non-Executive Directors Nominated by an Asset Management Company on the Board of a Brokerage Subsidiary[160]

17.11.1 An AMC which nominate its employees as non-executive directors on board of a brokerage subsidiary shall comply with the following requirements:

i. The AMC shall submit to the Commission and seek approval for the proposed corporate structure of the subsidiary brokerage house, including the composition of the board of directors;

ii. Employees nominated to the board of the subsidiary brokerage house shall not be entitled to receive any financial benefits or other perks from the brokerage entity other than the fee for attending Board Meeting;

iii. AMC shall ensure that its brokerage subsidiary has at least 1/3 independent directors;

iv. Brokerage house shall not indulge in proprietary trading;

v. Best Execution Policy and Broker Selection Policy must be formulated and implemented with SOPs in place with respect to all brokerage transactions executed for AMC-managed funds and any compensation for using research. Brokerage commission to the subsidiary brokerage house must not be more than minimum brokerage commission as prescribed by the Pakistan Stock Exchange;

vi. A formal, board-approved Chinese Wall policy must be implemented to prevent any flow of non-public, unwarranted and sensitive information (including trade instructions and executed trades, portfolio strategies) between the AMC and brokerage, except pertaining to the orders executed on the behalf of AMC;

vii. Segregation of front office and back office systems used by both entities with strict access controls, firewalls, and audit trails shall be ensured;

viii. Any member of the Investment Committee shall not be eligible for appointment as directors in the brokerage subsidiary;

ix. The proposed brokerage subsidiary's CEO, research heads, and traders must be independent of the AMC; and

[159] SECP Circular No. 19 of 2025 dated July 22, 2025.
[160] SECP Circular No. 14 of 2025 dated June 11, 2025.

x. Special monitoring of all transactions and flow of information between the AMC and subsidiary broker by the compliance or internal audit function of both entities and quarterly reporting to the Boards of both entities.

17.12 Representation in General Meeting of Listed Companies on behalf of unitholders of CIS[161]

The AMC shall comply with the following additional requirements when acting on behalf of unitholders of CIS in general meetings of listed companies. The AMCs, are encouraged to attend all General Meetings represented by their employee(s) who has no affiliation with the Investee Company. They must mandatorily;

i. ensure attendance, and exercise voting rights, at the General Meetings of listed companies wherein one or more CIS under their management, individually or collectively, hold at least 5% shareholding;
ii. ensure attendance, and exercise voting rights, at the General Meetings for all matters categorized as special business in the investee companies, irrespective of the holding size; and
iii. shall adhere to the board-approved stewardship policy, including the voting policy and uphold the principles of diligence, independence, and transparency. The AMCs are required to maintain adequate documentation to substantiate adherence to the voting policy.

17.13 Financing arrangements for Collective Investment Schemes(CISs)/ Pension Funds for smooth Transition to T+1 Settlement Cycle[162]

AMCs and Pension Fund Managers (PFMs) can avail conventional or Shariah compliant financing facility (financing facility), if needed, against subscription of units, on behalf of Equity oriented Collective Investment Scheme (CIS) and/or Equity oriented Pension Funds (CIS/PF), subject to the following conditions:

(I) The Trustee shall exercise oversight and monitoring to ensure that financing is only availed in case where cash requirement has arisen due to:

(a) Subscription requests through banking channels which may require additional time for clearance;
(b) Conversion requests from one CIS/PF to another which need cash management due to settlement mechanism;

(II) The maximum tenor for financing facility shall be three (3) working days at market-based competitive rates.

[161] SECP Direction 01 of 2025 dated January 01, 2025.
[162] SECP Circular No. 04 of 2026 dated February 04, 2026.

(III) The AMC may also utilize its own funds to meet the cash requirement of CIS/PF, without charging any cost to the CIS, on reimbursement basis, subject to the conditions provided in this Circular (i.e. Circular 04 of 2026);

(IV) The AMCs are allowed to pledge the securities of the respective CIS/PF to avail the financing facility;

(V) The daily amount of any financing facility availed shall not exceed the lower of ten percent (10%) of the total net assets of the respective CIS as on the preceding business day, or cash shortfall arising from uncleared banking instruments and conversion requests received on that day;

(VI) The AMCs shall disclose complete details of financing facility i.e. cost charged to CIS/PF, amount of financing facility availed and duration in the Fund Manager Report for that month;

(VII) Trustee shall forthwith report any non-compliance or inconsistency to the Commission; and

(VIII) The AMCs shall submit a fortnightly report for respective CIS/PF as per the following format to the Trustee and the Commission:

Name of CIS	Category of CIS	Net Assets	No. of times Financing Facility Availed	Investment amount for which financing required	Cumulative Sum of Financing Facility Availed	Outstanding Exposure/ Amount of Financing Facility, if any	Total financing cost charged to CIS	Total financing Cost Outstanding to be paid

Annexure-XI

میوچل فنڈکیا ہے۔

۱۔ میو چل فنڈ بچت اور سرمایہ کاری کا ایک متبادل طریقہ ہے۔
۲۔ میوچل فنڈ میں بہت سے سرمایہ کار اپنی بچتوں کو اکھٹا کرکے سرمایہ کاری کرتے ہیں۔
۳۔ میو چل فنڈ کے ذریعے آپ سٹاک مارکیٹ اور دوسرے مالیاتی اثاثہ جات میں بھی سرمایہ کاری کر سکتے ہیں۔
۴۔ میوچل فنڈ میں آپ کی سرمایہ کاری کا منتظم ایس ای سی پی کا منظور شدہ فنڈ مینیجر ہو تا ہے۔
۵۔ میو چل فنڈ کے اثاثے ایک غیرجانبدار ٹرسٹی اپنی ملکیت میں رکھ کر سرمایہ کاروں کویقینی تحفظ فراہم کرتا ہے۔

میوچل فنڈ میں سرمایہ کاری کے کیا فوائد ہیں۔

1. آپ جب چاہیں سرمایہ کاری کریں اور جب چاہیں اپنی سرمایہ کاری کیش کروائیں۔
2. آپ چھوٹی سی رقم سے بھی سرمایہ کاری کر سکتے ہیں۔
3. صرف ایس ای سی پی کا منظور شدہ فنڈ مینیجر آپکی سرمایہ کاری کا منتظم ہو سکتا ہے۔
4. فنڈ مینیجر اپنے تجربے اور قابلیت کی بنا پر آپ کی نسبت بہتر سرمایہ کاری کر سکتا ہے۔
5. فنڈ مختلف اثاثہ جات میں سرمایہ کاری کرتا ہے جو عام سرمایہ کار کی سٹاک مارکیٹ میں براہ راست سرمایہ کاری کرنے کی نسبت آسان اور بہتر طریقہ کار ہے۔
6. اگر آپ سرمایہ کاری کیلئے فنڈ مینیجر کے دفتر خود جاتے ہیں تو سیل کمیشن لاگو نہیں ہوگا۔

انتباہ: میوچل فنڈ میں کی گئی سرمایہ کاری کو مارکیٹ کے خطرات لاحق ہوتے ہیں۔ ماضی کی کارکردگی مستقبل کے نتائج کی لازمی عکاسی نہیں کرتی۔ انوسٹمنٹ پالیسیوں، خطرات اور ٹیکس کے اطلاق کو سمجھنے کیلئے فنڈز کے آفرنگ دستاویزات کا بغور مطالعہ کریں۔

میوچل فنڈ میں سرمایہ کاری کا طریقہ

1. فنڈ مینجر کی ویب سائٹ، دفتر یا میوچل فنڈ کے ڈسٹری بیوٹر سے "اکاؤنٹ اوپننگ فارم" حاصل کریں۔
2. فارم پرموجودکوائف کو پُر کریں اور ضروری دستاویزات جیسا کہ شناختی کارڈ کی نقل وغیرہ کو فارم کے ساتھ منسلک کریں۔
3. سرمایہ کاری کی رقم صرف کراس چیک یا ڈیمانڈ ڈرافٹ یا پے آرڈرجو کہ میوچل فنڈ کےٹرسٹی کے نام ہو گا کے ذریعے جمع کرائیں اور ہمیشہ رسید حاصل کریں۔
4. اپنی سرمایہ کاری کی مارکیٹ ویلیو کی روزانہ کی معلومات فنڈ مینجر یا میوچل فنڈ ایسوسی ایشن آف پاکستان کی ویب سائٹ سے حاصل کریں۔
5. جب چاہیں اپنی سرمایہ کاری کے اکاؤنٹ کی تفصیلات فنڈ مینجر سے حاصل کریں۔
6. یاد رکھئیے کہ میو چل فنڈیا اسکا کوئی بھی نمائندہ کسی بھی مد میں نقد رقم وصول کرنے کا مجاز نہیں ہے۔
7. کسی بھی شکا یت کی صورت میں ایس ای سی پی کی ہیلپ لا ئن 111-117-327 پر کا ل کریں یا ویب سا ئیٹ complaints@secp.gov.pk پر شکا یت درج کریں۔

انتباہ: میو چل فنڈ میں کی گئی سر ما یہ کار ی کو ما رکیٹ کے خطرات لا حق ہو تے ہیں۔ما ضی کی کا رکردگی مستقبل کے نتا ئج کی لا زمی عکا سی نہیں کرتی۔انوسٹمنٹ پا لیسیوں،خطرات اور ٹیکس کے اطلاق کو سمجھنے کیلئے فنڈز کے آفرنگ دستاویزات کا بغور مطا لعہ کریں۔

Annexure-XII

1. Fund-Wise Investment and Redemption

Fund Type	Investment	Redemption	Net Investment/ Redemption

2. Investor-Wise Break up

Fund Type	Individuals (A)		Banking & Financial Institutions (B)		Provident fund (C)		Gratuity fund (D)	
	Investment	Redemptions	Investment	Redemptions	Investment	Redemptions	Investment	Redemptions

Pension fund (E)		Public Limited Companies (F)		Associated Companies (G)	
Redemptions	Investment	Investment	Redemptions	Investment	Redemptions

Fund of funds (H)		Others (l)	
Investment	Investment	Redemptions	Investment

3. Channel-Wise Break up

Fund Type	Direct Investment (A)		Through RSP* - Individuals (B)	
	Investment	Redemptions	Investment	Redemptions

Through RSP — Corporates (C)		**Banks - Commercial / Scheduled (D)**		**Others (E)**	
Investment	Redemptions	Investment	Redemptions	Investment	Redemption

<u>Annexure-XIII</u>

<u>[Format of the standard Trust Deed (*Shariah*)]</u>

[Regulation 44(3) of the NBFC & NE Regulations, 2008]

TRUST DEED

of

--------------------------FUND

[Please insert the name of fund]

*[For reference only: As per NBFC Regulations, 2008 amended vide SRO 600(I)./2025 dated April 10, 2025, the scheme must clearly include the words "**Islamic**" or "**Shariah-compliant**" or any other nomenclature representing Shariah aspect of the Scheme]*

(An Open-End -------------- *[Please mention the structure of scheme e.g. A Wakalatul Istithmar Based Open-End Shariah Compliant [Category of the Scheme]*

Scheme being a Specialized Trust as defined under--------
[Please mention the relevant provincial law e.g. section 2(u-i) of the Sindh Trusts Act, 2020]

Duly Vetted by Shariah Advisor, -------------

[SECP registration No.------------]

[Please insert the name of Shariah Advisor alongwith registration number]

Between

---------------------------- Limited

[Please insert the name of the management company]

(The Management Company)

and

------------------------------- Limited

[Please insert the name of trustee]

(The Trustee)

Dated: ----------------

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TRUST DEED

SECTION-A

This TRUST DEED is made and entered into at ---------------- *[Please insert the name of city, like Karachi, Lahore etc.]*, on this ___ day of _______*[Please insert the date]*.

1. Name of the Scheme:

--------------------------- FUND *[Please insert the name of fund]*

2. Category, Type and Benchmark of the Scheme:

a. **Category: ----------------**

b. **Type: ---------------**

c. **Benchmark:** ***[for reference only:*** *to be as mentioned in the offering document]*

d. **Shariah compliant structure: ---------------------*[for reference only:*** *to be Wakalatul Istithmar or any other mode used for CIS*]

3. Participating Parties and Constitution of the Trust:

-------------------- Limited *[Please insert the name of management company]***,** a public limited company incorporated in Pakistan under the Companies Ordinance, 1984, now Companies Act, 2017 and licensed under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (hereinafter referred to as the "Rules"), which expression shall include any amendments thereto and substitutions thereof, listed on the Pakistan Stock Exchange Limited (if listed) and having its registered office at -- *[Please insert registered office address of the management company]* (hereinafter called the "Management Company" which expression where the context so permits shall include its successors in interest and assigns) of the one part;

AND

-------------------------- Limited *[Please insert the name of trustee]***,** a public limited company incorporated in Pakistan, under the erstwhile Companies Ordinance, 1984, now Companies Act, 2017 and registered under Non-Banking Finance Companies and Notified Entities Regulations, 2008 (hereinafter referred to as the "Regulations"), having its office at -------------------------------- *[Please insert registered office address of the trustee]* (hereinafter called the "Trustee or -------" which expression where the context so permits shall include its successors in interest and assigns) of the other Part.

WITNESSETH:

A. The Management Company holding a valid license by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the "SECP") as an Management Company pursuant to the Rules for the purpose of undertaking asset management services, under License No. **----------------------** dated ---------------------- attached hereto as **Annexure "A".**

B. The Management Company has been granted an in principle approval by SECP vide its letter bearing reference No. -------------------dated---------------------- attached herewith as **Annexure "B"** to register a trust deed for constituting the Trust under the name and title of "--------------------- Fund" *[Please insert the name of fund]* (hereinafter referred to as "the Scheme" or "the Trust" or "the Unit Trust" or "the Fund") and to register this Trust Deed ("the Deed") under the [Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amendment) Act, 2021)] *[Please mention the name of relevant provincial Trust Act]* and in term of Regulation 44 (3) of the Regulations and pending registration of the Trust as a notified entity under Section 282CA of the Ordinance and under Regulation 44 of the Regulations for the establishment and operation of the Trust in accordance with the provisions of the Rules and Regulations and the Trust Deed;

C. The Management Company has nominated and appointed ------------- *[Please insert the name of trustee]* as Trustee of the Scheme, ----------*[name of trustee]* is a registered Trustee under regulation 40B of the Regulations. The ------------ *[name of trustee]* through letter No. ------------- dated ------------------- has given its consent to act as Trustee as per **Annexure "C"** and has accepted such appointment upon the terms and conditions herein contained. The Trustee further issued its consent letter with regards to the registration of this Deed vide its letter No. ------------------ dated -----------appended herewith as **Annexure "E"**;

D. The Management Company has appointed ------------------- *[Please insert the name of Shariah Advisor or Shariah Supervisory Board]* as Shariah Advisor and the Shariah Advisor has duly reviewed this Deed and has issued its opinion vide letter dated-------- in accordance with the Shariah Governance Regulations, 2023

E. The SECP has issued NOC in favor of **---------***[name of trustee]* for trust registration with under the [Sindh Trust Act, 2020] *[Please mention the name of relevant provincial Trust Act]* vide letter dated------------.

F. Directorate of Industries and Commerce Sindh [*[Please mention the name of relevant provincial Body]* has issued a certificate of registration of the Trust under Sindh Trust Act 2020. *[Please mention the name of relevant provincial Trust Act]*

G. The Scheme shall be regulated by the SECP under the relevant Rules and Regulations.

4. Structure of the Scheme: ***[****For reference:* ***The Scheme shall either be in Shell Structure offering various Investment Plans or as an Independent Fund Structure with or without investment plans as specified by the Commission. Detail in the ensuing paras will be based on the structure of that particular CIS]***

[option: In case of Independent Fund Structure without Investment Plans]

i. The Scheme offers investment in various investment avenues under the category of [name of category].

ii. The Fund will be launched as perpetual and may continue to receive subscriptions on perpetual basis.

iii. The allocation of investments will be governed by its own investment policy and objective which will be disclosed in the Offering Document of the Scheme.

iv. The Scheme may have one or more-unit types which will rank pari passu.

v. The minimum size of the Scheme shall be of such amount as specified by the Commission and disclosed in the Offering Document

[option: In case of Independent Fund Structure with Investment Plans]

i. The Scheme and the underlying investment plans may offers investment in various investment avenues in the category of [name of category].

ii. The allocation of investments of the Scheme will be governed by Scheme's own investment policy and objective whereas investment plans will have their respective investment policy and objective, which will be disclosed in the Offering Document of the Scheme.

iii. The Scheme will be launched as [*please mention perpetual or fixed term*] and may continue to receive subscriptions on [*please mention perpetual or fixed term*] basis. Further, investment plans may be of limited life / fixed maturity. [*Specify the allowable number of investment plans under the category in terms of circular No. 8 of 2025 and life of the such plans i.e. perpetual or limited life]*.

iv. The Scheme and each Investment Plan under the Scheme may have one or more-unit types and Management Company will announce separate NAVs for the Scheme and each investment plan separately which will rank pari passu inter se according to the number of Units of the Scheme and respective Investment Plans.

v. The Management Company may, with the prior approval of the Commission, introduce further Investment Plans through supplement to the Offering Document.

vi. The minimum size of Scheme and each Investment Plan under the Scheme shall be of such amount as specified by the Commission, disclosed in the Offering Document

[option: In case of Fund/ Scheme in Shell Structure with Investment Plans]

i. The Scheme Shall be in Shell Structure and may offer various Investment Plans under in the category of [Name of Category].

ii. The Investment Plans under the Scheme will invest in the respective investable avenues as defined in the Offering Document. However, the number of such plans at any point in time shall not exceed the limit specified by the Commission. *[To be as per the Type/structure of the Fund and allowable limit of investment plans as per law/circular/directions]*

iii. The Scheme may be launched as perpetual and the investment plans may continue to receive subscriptions on perpetual or limited time basis or as may be specified in Offering Document in line with the applicable regulatory framework.

iv. It may launch further Investment plans and each investment Plan shall have its own investment policy which will be disclosed in Offering Document of the Scheme.*[To be as per the Type/structure of the Fund and allowable limit of investment plans as per law/circular]*

v. Each Investment Plan under the Scheme may have one or more-unit types and Management Company will announce separate NAVs for each investment plan separately which will rank pari passu inter se according to the number of Units of the respective Investment Plans.

vi. The Management Company may, with the prior approval of the Commission, introduce further Investment Plans through offering document/or supplement to the Offering Document.

vii. The investor may invest in any one or more of the available Investment Plan(s).

viii. The minimum size of each Investment Plan shall be of such amount as specified by the Commission, disclosed in the Offering Document

5. Investment of Trust Property and Exposure Limits:

5.1 Investment Objective: *[Reference only: To be as per the Type/structure of the Fund/ Scheme]*

The objective of *[Please insert the name of fund]* Fund is to [*for example: earn competitive Riba free return by investing in various Shariah compliant asset classes/instruments based on the market outlook and may easily change allocation to take advantage of directional macro and micro economic trends and undervalued securities*] in a Shariah Compliant manner.

Objective of the Fund/ or and each Investment Plan under this Fund will be defined in detail in its Offering Document or the Supplemental of the Offering Document. ------ [*Please insert the relevant objective of the fund in line with its category and specify that Fund will only indulge in shariah compliant activities.*]

5.2 Investment Policy: *[To be as per the Type/structure of the Fund/ Scheme]*

The Investment Policy of the Fund and each Investment Plan shall be in accordance with the Rules, Regulations and directives issued by SECP and shall be specified in the Offering Document. The Fund and Investment Plan(s) under the Fund shall invest only in authorized investments as disclosed in the

Offering Document and approved by the Commission. Details of investment avenues shall be disclosed in the Offering Document.

5.3 Investment and Exposure Limits:

The Trust Property shall be invested by the Trustee from time to time as directed by the Management Company subject to the provisions of Rules, Regulations and directives issued thereunder and the Offering Document.

5.4 Investment Restrictions:

The details of restrictions on the investment of the deposited/ trust property and any exception granted to such investment restrictions are mentioned in the Offering Document in line with the applicable Rules, Regulations, guidelines provided by Shariah Advisor and directives issued by the SECP

5.5 Shariah Compliant Financing Arrangements/ Restrictions or any other Restrictions:

5.5.1 Subject to any statutory requirements for the time being in force and to the terms and conditions herein contained, the Management Company on behalf of the scheme may arrange shariah compliant financing for account of the Fund and one or more of the Investment Plan(s) under the Scheme, with the approval of the Trustee and the Shariah Advisor, from Shariah Compliant Banks, Islamic Banking Windows of commercial banks, Islamic financial institutions, non-banking finance companies or such other companies as specified by the Commission from time to time. The shariah compliant financing, however, shall not be resorted to, except for meeting the redemption requests and shall be repayable within a period of ninety days and such financing shall not exceed fifteen per cent of the Net Asset of the Fund and/ or pertinent Investment Plan at the time of financing or such other limit as specified by the Commission. Financing arrangement will exclusively be made under the Islamic Modes of finance and with the approval of the Shariah Advisor of the Fund.

5.5.2 The charges payable to any bank, non-banking finance companies or Islamic financial institution against financings on account of the Fund and/or Investment Plan(s) under the Fund as permissible under Clause 5.4.1 above, shall not be higher than the normal prevailing bank charges or normal market rates.

5.5.3 Neither the Trustee, nor the Management Company shall be required to issue any guarantee or provide security over their own assets for securing financings from Shariah Compliant Banks, Islamic Banking windows of commercial banks and Islamic financial institutions. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of financings.

5.5.4 For the purposes of securing any financing the Trustee may, subject to clause 5.4.1 above, on the instruction of the Management Company mortgage, charge or pledge in any manner all or any part of the Trust Property of the Fund and pertinent Investment Plan(s).

5.5.5 Neither the Trustee nor the Management Company shall incur any liability by reason of any loss to the Trust or any loss that a Unit Holder(s) may suffer by reason of any depletion in the Net Asset Value that may result from any financing arrangement made hereunder in good faith.

6. Fees and Charges:

6.1 Maximum percentage of the Charge Payable by the investor on subscription, redemption and conversion of units [Reference only: *List and narrate the items for example: sales load, contingent load etc.]*

Charges payable by unitholders with respect to subscription, redemption, transfer and conversion of units will be disclosed in the offering document in line with the applicable regulatory framework.

6.2 Remuneration of the Management Company and Its Agents:

6.2.1 The Management Company shall be entitled to prescribe and receive maximum remuneration up to the maximum rate of remuneration permitted under the Regulations and directives issued thereunder.

6.2.2 The remuneration shall begin to accrue from the close of Initial Offering Period of each Investment Plan / Fund as specified in the Offering Document.

6.2.3 Such remuneration shall be paid to the Management Company in arrears as per regulatory framework and shall be disclosed in the offering document.

6.2.4 In consideration of the foregoing and save as aforesaid the Management Company shall be responsible for the payment of all expenses incurred by the Management Company from time to time in connection with its responsibilities as Management Company of the Trust. The Management Company shall not make any charge against the Unit Holder(s) or against the Trust Property or against the Distribution Account for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Regulations and directives issued there under and this Deed to be payable out of Trust Property.

6.2.5 The Management Company shall 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 this Deed.

6.2.6 Any increase in the remuneration of the Management Company, agreed to by the Trustee and approved by the Commission shall require prior notice to the unit holders as per regulatory framework and shall be disclosed in the offering document. However, any decrease in remuneration of the Management Company shall not require such notice.

6.3 Remuneration of Trustee and Its Agents:

6.3.1 The Trustee shall be entitled to a monthly remuneration out of the Trust Property determined in accordance with **Annexure-"C"**. The remuneration shall begin to accrue from the close of Initial Period.

6.3.2 Such remuneration shall be paid to the Trustee in arrears per regulatory framework and shall be disclosed in the offering document.

6.3.3 In consideration of the foregoing and save as aforesaid the Trustee shall 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 shall not make any charge against the Holders or against the Trust Property or against the Distribution Account for their services or for their expenses, except such expenses as are expressly authorized to be paid out of the Trust Property under the provisions of the Regulations and the Constitutive Documents.

Any increase in the remuneration of the Trustee as disclosed in the offering document, agreed to by the Management Company shall require the approval of the Commission along with prior notice to unit holders as required under applicable regulatory framework and also mentioned in the offering document. However, any decrease in remuneration of the Trustee shall not require such approval.

6.4 Formation Cost and its Treatment *[Based on Type and Structure of the Scheme*]

6.4.1 The Formation Cost of the Fund and its amortization shall not exceed the limit specified in the Regulations or circular or any directive of the Commission which shall also be disclosed in the offering document. In case of Independently launched Fund, which also offers investment plans, formation cost shall be applied proportionately to the Fund and investment plans thereunder.

In case of Shell Structure, the formation cost applies proportionately to the investment plans being offered under the Fund and its amortization shall not exceed the limit specified in the Regulations, and shall be disclosed in the .offering document.

Provided that where the Formation Cost is not entirely amortized and AMC introduces new Investment Plan, the unamortized portion of the Formation Cost will be distributed proportionately among the Fund and all operational Investment Plan based on the respective Net Assets at the close of the IOP for the Fund and Investment Plan(s). However, any initial expenses directly associated with the launch of the Fund or Investment Plan(s) will not charge from the subsequently launched plans, and vice versa.

Provided further that any Investment Plan launched after the expiry amortization period (as specified in the Regulations or circular or direction) of the Formation Cost of the Fund, such Investment Plan(s) shall not bear or amortize any expenses incurred under the head of Formation Cost for the subject Fund.

6.4.2 The Formation Cost shall be reported by the Management Company to the SECP and the Trustee giving their break-up under separate heads, as soon as the distribution of the Units of the Fund and Investment Plan(s) under the scheme is completed.

6.4.3 Formation cost shall be charged to the Fund and each investment plan which shall launch from time to time and shall not exceed such limits as specified in the Regulation or directives issued thereunder.

6.5 Other Costs and Expenses to be Charged to and Borne by the Trust

All other costs and expenses specified in the Regulations and directives issued there under shall be charged to and borne by the Trust and shall be specified in the Offering Document.

SECTION-B

[For reference only – Note: In case of any change/modification in Section-B due to any reason, Section-B shall be duly supported by an certificate signed by the CEO of the management company stating the rationale/justification for such change along with the approval of Shariah Advisor, moreover this note should not be made printed on Trust Deed]

7. Governing Law and Jurisdiction:

7.1 This Trust Deed shall be subject to and governed by the laws of Pakistan, including the Companies Ordinance, 1984, Companies Act, 2017, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Shariah Governance Regulations, 2023 (SGR 2023) Sindh Trust Act, 2020 [Sindh Trust Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021)] *[Please mention the relevant provincial Trust Act],* any directives or circulars issued by the Commission and all applicable laws and regulations as amended or replaced from time to time. Where any Rules or Regulations are amended, any directives are issued or any relaxation or exemption is allowed by Commission it shall be deemed for all purposes whatsoever that all the provisions required to be contained in a trust deed pursuant to such amendments, directive, relaxation or exemption shall be deemed to have been incorporated in this Trust Deed without requiring any modification unless specifically required by the Commission, in the event of any conflict between this Trust Deed and the provisions of the Rules Regulations, directives, circulars, the latter shall supersede and prevail over the provisions contained in this Trust Deed.

7.2 All investments of the Trust property of the scheme shall be in accordance with the Shariah as per the guidelines provided by the Shariah Advisor or Applicable Shariah regulatory provisions of SGR 2023 and any other regulations of SECP issued from time to time. The Fund and/ or Investment Plans shall be subject to the rules and regulations of the State Bank of Pakistan and the SECP with regard to the foreign Investments made by the Fund and/ or Investment Plans and also with regard to investments that may be made in the Fund from outside Pakistan. The Investments made by the Fund in other/foreign countries and bank accounts and custodial services accounts that may be opened by the Trustee for the Fund in other/foreign countries on the instructions of the Management Company may become subject to the laws of such countries. Foreign investments made by the Fund shall be in accordance with the guidelines of the Shariah Advisor.

7.3 Subject to the Clause -- hereafter, applicable between the Management Company and the Trustee inter se, each party, including the Unit Holder(s), irrevocably submit to the exclusive jurisdiction of the Courts at Karachi.

8. Declaration of Trust

8.1 Amount received from Pre-IPO Investors of the Fund and respective investment plan(s), shall be held by the Trustee in the capacity of custodian and such amount including any accretion/ profit thereon shall be the right of those investors who invested such amount till the time of IPO/IOP. The Trust Property shall only constitute from the date of IPO/IOP and prior to that the Trustee shall only act as a custodian for Pre-IPO investments in the Fund and/ or respective Investment Plan (s0. Hence, any investment received during Pre-IPO period shall be remain under custody of the Trustee.

8.2 It is hereby irrevocably and unconditionally declared that:

a) The Trustee shall hold and stand possessed the Trust Property that may from time to time hereafter be vested in the Trustee upon trust for the benefit of the Unit Holder(s) of the Fund and each Investment Plan under the scheme. The right and interest among the unitholders shall rank pari passu inter se, according to the number of Units held by each Unit Holder in the Fund and/ or investment plan(s).

b) The Fund and Each Investment Plan will have separate asset class according to the approved Fund and individual Investment Plan launched from time to time and all investment assets shall be kept separately for the Fund and their respective Investment Plan.

c) The Trust Property shall be invested or disinvested from time to time by the Trustee at the direction of the Management Company strictly in terms of the provisions contained and the conditions stipulated in this Trust Deed, the Offering Documents, the Rules, the Regulations and the conditions (if any) which may be imposed by the SECP and Shariah Advisor from time to time; and

d) The Management Company shall establish, manage, operate and administer the Fund and its Investment Plan(s) in accordance with the Rules, Regulations, any directive or circular as issued or amended by SECP from time to time or Shariah Regulatory Provision, this Deed and the Offering Document.

9. Effect of this Deed and Status of Unit Holder(s):

9.1 **Deed Binding on Each Unit Holder:**

The terms and conditions of this Trust Deed as amended, as per the term of Clause -- of this Deed, from time to time shall be binding on each Unit Holder as if the Unit Holder had been party to it and shall be bound by its provisions and shall be deemed to have authorized and required the Trustee and the Management Company to do as required of them by the terms of this Deed and the Regulations.

9.2 **Unit Holder(s) Not Liable to Make Further Payments:**

No Unit Holder(s) shall be liable to make any further contributions to the Fund and Investment Plan(s) once Unit Holder has paid the purchase price of the Units in full as specified in the Offering Document and no further liability shall be imposed on any Unit Holder in respect of the Units held.

9.3 **Units to Rank Pari Passu:**

All Units and fractions thereof of Fund and each Investment Plan under the Scheme represent an undivided share in that respective Investment Plan under the Scheme and shall rank pari passu according to the number of Units held by each Unit Holder of that Investment Plan including as to the rights of the Unit Holder(s) in the Net Assets, earnings and the receipt of the dividends and distributions for each Investment Plan. Each Unit Holder has a beneficial interest in the Trust property of the respective Investment Plan under the scheme proportionate to the Units and fractions of that Investment Plan held by such Unit Holder and shall have such rights as are set out in this Trust Deed and the Offering Document.

9.4 **Trustee Report to Unit Holders:**

The Trustee shall issue periodic reports to the Unit Holders in accordance with the applicable laws and regulations.

10. Role of the Management Company:

10.1 The Management Company shall manage, operate and administer the Scheme in accordance with the Rules, Regulations, guidelines issued by Shariah Advisor, directives and circulars issued by SECP, and this Deed and the Offering Document.

10.2 The Management Company has the primary responsibility of maintaining all investor records. The Management Company may perform the Registrar Functions itself or may appoint another Company to perform such functions on its behalf. Moreover, the Management Company shall provide the Trustee unhindered access to all records relating to the Scheme.

10.3 The Management Company may from time to time, with the consent of the Trustee, form procedures for conducting the business of the Trust or in respect of any other matter incidental thereto; provided that such procedures are not inconsistent with the provisions of the Rules and the Regulations any directives, circulars and guidelines issued by SECP and this Deed.

10.4 The Management Company shall be responsible to facilitate investments and disinvestments by investors in the Fund and/ or Investment Plan(s) under the Scheme and to make adequate arrangements for receiving and processing applications in this regard.

10.5 The Management Company, shall from time to time under intimation to the Trustee appoint, remove or replace one or more suitable persons, entities or parties as Distributor(s) for carrying on Distribution Functions at one or more location(s). Provided that the Management Company may also itself act as a Distributor for carrying on Distribution Functions

10.6 The Management Company may at its own responsibility and costs from time to time appoint Investment Facilitators to assist it in promoting sales of Units. An updated list of Distributors and Investment Facilitators appointed by Management Company shall be made available at all times on the website of the AMC.

10.7 The Management Company shall not be under any liability except such liability as may be expressly assumed by it under the Rules, Regulations, this Trust Deed and the Offering Documents, nor shall the Management Company (save as herein otherwise provided) be liable for any act or omission of the Trustee nor for anything except for its own gross negligence or willful breach of duty and the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed and the Offering Document, the Management Company shall not be under any liability thereof or thereby and it shall 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.

10.8 The Management Company shall nominate and notify to the Trustee one or more of its officer(s) to act as authorized persons for interacting with and giving instructions to the Trustee. Any instruction or notice given by such authorized persons shall be deemed to be the instruction or notice given by the Management Company. Any change in such authorized persons shall promptly be notified to the Trustee.

10.9 The Management Company shall, from time to time, advise the Trustee of any settlement instructions relating to any transactions entered into by it on behalf of the Trust. The Management Company shall ensure that settlement instructions are given promptly after entering into the transaction so as to facilitate timely settlement.

10.10 The Management Company shall provide the Trustee with regular reports indicating profit income and other forms of income or inflows, relating to the investments that are due to be received.

10.11 The Management Company may, if it considers necessary for the protection of Trust Property or safeguarding the interest of the Unit Holders, request the Trustee to 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 at the cost of the Fund.

10.12 The Management Company shall designate and disclose the location of its official points for acceptance of applications for issuance, redemption, conversion, etc. of Units in the Offering Document of the Scheme and on its website.

10.13 The Management Company shall ensure that all the designated points for acceptance of applications for issuance, redemption, conversion, etc. of units of the Scheme have appropriate date and time stamping mechanism for timely acknowledgement of the said applications.

10.14 The Management Company shall announce the Net Asset Value (NAV) of the Fund and/ or the Investment Plans under the Scheme within such time period and at such frequency as specified by Commission from time to time and shall disclose such time period and frequency in the Offering Document.

10.15 The Management Company shall ensure ongoing Shariah compliance and comply with the conditions of the certification of Shariah and Shariah opinion compliance under the Shariah Governance Regulations, 2023.

10.16 The Management Company shall develop a reporting mechanism for communicating key Shariah issues to unit holders on regular basis as per Regulations and also mentioned in the offering document.

11. Role of the Trustee

11.1 The trustee shall perform its role as specified in the Rules, Regulations and directives, circulars issued there under, this Deed and the Offering Document.

11.2 The Trustee shall nominate one or more of its officers to act as authorized persons for performing the Trustee’s functions and for interacting with the Management Company. Any change in such authorized persons shall be promptly notified to the Management Company.

11.3 The Trustee shall under prior intimation to the Management Company appoint, remove or replace from time to time one or more bank(s) and/or other depository company(ies) etc. to act as the Custodian for holding and protecting the Trust Property and every part thereof and for generally performing the custodial services at one or more locations and on such terms as the Trustee and the Management Company may mutually agree and to be incorporated in custodial services agreement to be entered into between the Trustee and the Custodian, except where the Trustee itself is acting as a Custodian.

11.4 The Trustee shall 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 shall account to the Trust for any loss in value of the Trust Property where such loss has been caused by gross negligence or any reckless act or omission of the Trustee or any of its directors, officers, nominees or agents.

11.5 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holder(s). The Trustee shall not be under any liability on account of anything done or suffered by the Trust, if the Trustee had acted in good faith in performance of its duties under this Trust Deed or in accordance with or pursuant to any request of the Management Company provided it is not in conflict with the provisions of this Trust Deed or the Rules and Regulations. Whenever pursuant to any provision of this Trust Deed, any instruction, certificate, notice, direction or other communication is required to be given by the Management Company, the Trustee may accept as sufficient evidence thereof:

a) a document signed or purporting to be signed on behalf of the Management Company by any authorized representative(s) whose signature the Trustee is for the time being authorized in writing by the Management Committee to accept; and

b) any Instructions received online through the software solution adopted by the Management Company/Trustee in consultation with each other shall be deemed to be instructions from the authorized representative(s).

11.6 The Trustee shall not be liable for any loss caused to the Fund or to the value of the Trust Property due to any elements or circumstances of Force Majeure.

11.7 In the event of any loss caused due to any gross negligence or willful act and/or omission, the Trustee shall 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. However, the trustee shall not be under any liability thereof or thereby and it shall 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.

11.8 The Trustee shall make available or ensure that there is made available to the Management Company such information as the Management Company may reasonably require from time to time in respect of the Trust Property and all other matters relating to the Trust.

11.9 The Trustee shall, if requested by Management Company or if it considers necessary for the protection of Trust Property or safeguarding the interest of Unit Holder(s), 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 pleadings 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 director(s) and officer(s). All costs, charges and expenses (including 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 gross negligence or breach of its duties in connection with the Trust under this Deed or the Rules and Regulations. For the avoidance of doubt it is clarified that notwithstanding anything contained in this Deed, the Trustee and the Management Company shall not be liable in respect of any losses, claims, damages or other liabilities whatsoever suffered or incurred by the Trust arising from or consequent to any such suit, proceeding, arbitration or inquiry or corporate or shareholders' action or otherwise howsoever and (save as herein otherwise provided) all such losses, claims, damages and other liabilities shall be borne by the Trust.

11.10 The Trustee shall not be under any liability except such liability as may be expressly assumed by it under the Rules and Regulations and this Trust Deed nor shall the Trustee be liable for any act or omission of the Management Company nor for anything except for loss caused due to its willful acts or omissions or gross negligence or that of its agents in relation to any custody of the Trust Property forming part of the Deposited Property. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed the Trustee shall not be under any liability thereof or thereby and it shall 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.

11.11 The Trustee shall promptly forward to the Management Company within one Business Day any notices, reports or other documents issued by the issuers of securities, recipients of any of the Trust funds (as deposits, refunds, distribution of dividends, income, profits, repayment of capital or for any other reason), any depository, an intermediary or agent in any transaction or from any court, government, regulator, stock exchange or any other exchange.

12. Trust Property

12.1 The aggregate proceeds of all Units issued from time to time by the Fund and/ or each of the Investment Plan under the Fund shall after deducting Duties and Charges, Transactions Costs and any applicable Sales Load, shall constitute part of the Trust Property and includes the Investment and all income, profit and other benefits arising therefrom and all cash, bank balances and other assets 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 Unit Holder(s) pursuant to this Deed but does not include any amount payable to the Unit Holders of the Fund and/ or Investment Plan(s) under the Fund as distribution. However, any profit earned on the amount payable to the Unit Holders of the Fund and Investment Plan(s) as distribution shall become part of the Trust Property of the Fund and pertinent investment plan.

The property of the Fund and/ or each investment plan shall always be held as separate property and in no way shall the assets and liabilities of one investment plan be commingled with any other investment plan.

12.2 The income earned on the investments of pre-IPO Investors in the Fund and/ or respective Investment Plan, if any, upto the start of IPO may be paid to such investors on pro rata basis from the date of investment either in cash or issue in the form of additional units of the Fund and respective Investment Plan in any form, an amount equal to the income earned, as selected by such investors.

12.3 The property of each Investment Plan shall always be kept as separate property and in no way assets and liabilities of one Investment Plan shall be merged with any other Investment Plan.

12.4 Shariah compliant bank accounts for the Fund and investment Plan(s) being offered from time to time shall always be in the name of the Trustee.

12.5 The Trust Property of the Fund and each Investment Plan shall initially be constituted out of the proceeds received from investors till the time of Public Offering (PO) after deducting any applicable Duties and Charges, Transactions Costs and Front-end Loads therefrom.

12.6 All expenses incurred by the Trustee in effecting the registerable Investments in its name shall be payable out of the Trust Property.

12.7 The Trustee shall take the Trust property of the Fund and respective Investment Plan(s) under the

Scheme into its custody or under its control either directly or through the Custodian and hold it in trust for the benefit of the Unit Holders of the Fund and respective Investment Plan(s) in accordance with the provisions of the Regulations, applicable law, and this Deed. The Trust Property of Fund and Investment Plan(s) shall be held separately by the Trustee and the Trust Property of all the Investment Plan(s) collectively shall constitute the Trust Property of the Scheme. The Trust Property of the Fund and each Investment Plan shall always be kept as a separate property and shall not be applied to make a loan or advance except in connection with the normal business of the Fund.

12.8 Except as specifically provided in this Trust Deed, the Trust Property shall always be kept as separate property free from any mortgages, charges, liens or any other encumbrances whatsoever and the Trustee or the Custodian shall not, except for the purpose of each Investment Plan under the Scheme as directed by the Management Company , create or purport to create any mortgages, charges, liens or any other encumbrance whatsoever to secure any loan, guarantee or any other obligation actual or contingent incurred assumed or undertaken by the Trustee or the Custodian or any other person.

13. Voting Rights on Trust Property:

13.1 All rights of voting attached to any Trust Property shall be exercisable by the Management Company on behalf of the Trustee and it shall be entitled to exercise the said rights in what it may consider to be in the best interest of the Unit Holders and may refrain at its own discretion from the exercise of any voting rights and the Trustee or the Unit Holders shall not have any right to interfere or complain.

13.2 The Trustee shall upon written request by the Management Company and on account of the Trust Property, from time to time execute and deliver or cause to be executed or delivered to the Management Company or their nominees powers of attorneys or proxies authorizing such attorneys and proxies to vote, consent or otherwise act in respect of any investment in such form and in favor of such persons as the Management Company may require in writing.

13.3 The phrase “rights of voting” or the word “vote” used in this clause shall be deemed to include not only a vote at a meeting but the right to elect or appoint directors, any consent to or approval of any arrangement scheme or resolution or any alteration in or abandonment of any rights attaching to any Investment and the right to requisition or join in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement. The Management Company shall keep record stating the reasons for casting the vote in favor or against any resolution for a period of six (06) years.

14. Shariah Governance

14.1 All activities of the Fund and/or the Investment Plan(s) shall be undertaken in accordance with the Shariah Guidelines provided by Shariah Advisor and Shariah Regulatory Provisions of

SECP issued from time to time.

14.2 The Management Company has appointed Shariah Advisor who shall ensure on going shariah compliance and shall advise the Management Company accordingly.

14.3 The Shariah Advisor shall be appointed for a period mutually agreed between the Management Company and such Shariah Advisor, as disclosed in the Offering Document and may be re-appointed on completion of his term. *[the detailed manner of constitution of shariah supervisory board or appointment of shariah advisor, as provided in the Shariah Governance Regulations, 2023 shall be disclosed in the offering document]*

14.4 The Management Company may terminate its agreement with the Shariah Advisor and appoint a new Shariah Advisor under intimation to the Trustee and SECP. Provided that till the appointment of new Shariah Adviser, the existing Shariah Adviser shall continue to perform his duties. Provided further that the Management Company shall inform the Commission at least one month in advance for change in the Shariah Advisor.

14.5 The Shariah Advisor Shall:

(a) Provide Shariah advisory services in accordance with role of Shariah advisor as specified in the Shariah Governance Regulations, 2003.

(b) Provide technical guidance and support on various aspect of Shariah so as to enable the Management Company to operate the Fund as a Shariah Compliant collective investment scheme.

(c) Recommend general investment guidelines consistent with the Shariah. Any verdict issued by the Shariah Advisor in respect of any Shariah related matter shall be final and acceptable to the Trustee, the Management Company, the Unit Holders and other parties related with that matter.

(d) At the end of Annual Accounting Period, shall prepare Shariah Review Report as per SGR 2023 and it shall be to be included in the Fund`s financial reports, in respect of Shariah Compliance of the preceding year`s operation of the Fund and the Shariah Advisor may, at the expense of the Fund, conduct such audit or other investigation as may be necessary for the issuance of the certificate.

(e) Co-ordinate with the Management Company in drawing up of the Deed and other related material documents including Constitutive Documents for the formation of the Unit Trust and to further provide technical guidance and support on various aspects of Shariah, so as to enable the Management Company to mold the Unit Trust into a Riba free/Halal Avenue of investment.

(f) Do the research as appropriate for the purpose of screening of investments. The Shariah Advisor will then decide as to which criteria are relevant to be used in the context of Pakistani Markets and the instruments available therein, and which need to be modified/added/deleted.

(g) Certify that all the provisions of the Constitutive Documents of the Fund and proposed Investments to be made on account of the Fund are Shariah compliant with the established criteria.

(h) Evaluate and advise upon all new financial instruments as and when introduced for their Shariah permissibility.

(i) Decide the methodology for calculation of "Haram Income". Determine percentage of income and cash flows included in the income and cash flows of the companies in which the Fund has invested from activities not in accordance with the principles of the Shariah, and recommend to the Management Company the criteria for selecting the Charities registered under relevant Pakistani laws to whom such sums shall be donated.

15. Disclosure of transactions with Connected Persons:

Transaction with connected persons shall be in accordance with the Rules, Regulations and directives issued by SECP and shall be specified in the Offering Document.

16. Valuation of Property and Pricing:

16.1 Valuation of Assets & Liabilities and Net Asset Value of each Investment Plan under the Fund:

The method for determining the value of the assets and liabilities and the Net Asset Value would be as specified in the Regulations and the directives issued thereunder by the Commission; from time to time.

16.2 Determination of Purchase (Offer) Price:

a) During the Initial Public Offering, the Units of the Fund and/ or each Investment Plan will be offered at Initial Price as announced by Management Company.

After the Initial Offer, the Offer Price for the Unit Holder(s) shall be determined from time to time as specified in the Regulations, directives issued thereunder and the Offering Documents. The offer price shall be announced by the Management Company for every Dealing Day through its website and MUFAP.

b) The Management Company may announce different classes of Units with different levels of Sales Load, as specified in the Offering Documents.

17. Determination of Redemption Price

During the Initial Period, the Units shall not be redeemed. After the Initial Period, the Redemption Price of units of the Fund and/ or each investment plan shall be calculated and announced by the Management Company for every Dealing Day as specified in the Regulations, directives issued there under and the Offering Documents.

18. Dealing in Units, Issuance of Certificates, Suspension and Deferral of Dealing

18.1 Dealings in Units and Issuance of Certificates

a) Issuance, redemption, transfer, pledge/lien of Units and issuance and replacement of certificates shall be carried out in accordance with the requirements of Rules, Regulations and directives issued thereunder and the procedures for these shall be specified in the Offering Document.

b) Notwithstanding anything to the contrary contained herein, where the Units are declared as CDS Eligible Securities, all matters concerning issuance, transfer, pledge and redemption of such Units issued in book entry form or deposited in to the CDS shall be dealt with in accordance with the provisions of the Central Depositories Act, 1997 (XIX of 1997), the Central Depository Company of Pakistan Limited Regulations as amended from time to time, and any notifications or directions given by the Commission.

c) the maximum interval between the receipt of a properly documented request for redemption of units and the issue of payment instrument for redemption money to the holder not to exceed working days as specified in the Regulations.

18.2 Temporary Change in the Method of Dealing

Subject to compliance with the Regulations and the circumstances mentioned in the Offering Document, the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units.

18.3 Suspension of Redemption of Units

a) The Redemption of Units of the Fund and/ or Investment Plan(s) may be suspended during extraordinary circumstances including closure of the money market, capital market, capital market infrastructure institutions and scheduled banks, the existence of a state of affairs, which in the opinion of the Management Company, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Unit Holders in the Fund and/or the Investment Plan(s) or a break down in the means of communication normally employed in determining the price of any investment, or when remittance of money cannot be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Unit Holders of the Fund and Investment Plan(s) to redeem Units at a price so determined in accordance with the Net Asset Value (NAV) of the Fund and Investment Plan(s). The Management Company may announce a suspension of redemption and such a measure shall be taken to protect the interest of the Unit Holder in the event of extraordinary circumstances.

b) Redemption requests received on the day of the suspension may be rejected or would be redeemed at the redemption price on the first Dealing Day after the removal of the suspension.

19. Queue System

In the event redemption requests on any day exceed ten percent (10%) or any other threshold as may be specified by the Commission, of the Units in issue of the respective Fund and / or investment plan(s) in issue, the Management Company may invoke a queue system whereby requests for redemption of the Units of the Fund and pertinent Investment Plan(s) shall be processed on a first come first served basis for up to ten percent (10%) or any other percentage as may be specified by the Commission, of the Units in issue of the Fund and /or Investment Plan(s).

The Management Company shall proceed to sell adequate assets of the Fund and Investment Plan(s) of the Scheme and/ or arrange shariah complaint financing as it deems fit in the best interest of the Holders and shall determine the Redemption Price to be applied to the redemption 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 shall be processed on a proportional basis proportionate to the size of the requests.

The redemption requests in excess of ten percent (10%) of the Units of the Fund and Investment Plan(s) in issue will be carried over to the next Business Day. However, if the carried over requests and the fresh requests received on the next Subscription Day still exceeds ten percent (10%) of the Units of the Fund and such Investment Plan(s) in issue, these shall once again be treated on first-come-first-served basis and the process for generating liquidity and determining the Redemption Price shall be repeated and such procedure shall continue till such time the outstanding redemption requests come down to a level below ten percent (10%) of the Fund and such Investment Plan(s) of the Units then in issue.

20. Suspension of Fresh Issue of Units

20.1 The Management Company may, under certain circumstances, suspend issue of fresh Units of the Fund and one or more Investment Plan(s). These circumstances may include;

a) The situation referred in Clause ---- or --- of this Deed;
b) A situation in which it is not possible to invest the amount received against issuance of fresh units of the Fund and such investment plan(s); or
c) Any other situation in which issuance of fresh units is, in Management Company's opinion, against the interests of the existing/remaining unit holders of such Investment Plan(s).

20.2 Such suspension may however not affect existing subscribers for the issue of bonus Units as a result of profit distribution. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue. The Management Company shall immediately notify the SECP and Trustee if issuance of Units of the Fund and Investment Plan(s) is suspended and shall also have the fact published, immediately following such decision, in the newspapers in which the Fund's prices are normally published or over website.

20.3 In case of suspension of redemption of units due to extraordinary circumstances, the issuance of Units of the Fund and Investment Plan(s) shall also be kept suspended until and unless redemption of Units is resumed.

20.4 Investment applications received on the day of suspension will not be processed and the amount received shall be returned to the investor.

21. Determination of Distributable Profits

21.1 The Management Company on behalf of the Scheme shall, for every accounting year, distribute by way of dividend to the unit holders of the Fund and/ or each Investment Plan under the Fund, not less than ninety per cent of the accounting income of the Fund and/ or respective Investment Plan(s) of the Scheme received or derived from sources other than capital gains as reduced by such expenses as are chargeable to the Scheme under these Regulations and subject to the conditions as laid down in Income Tax Ordinance, 2001.

The Management Company may also announce interim dividend subject to requirements of Regulations, circular and directives.

21.2 Out of the amount determined for the purpose of distributable income in respect of each Holder withholding tax, Zakat or other statutory levies, as may be applicable to the relevant Holder shall be deducted before distribution for the relevant Holder.

21.3 The Management Company may decide to distribute in the interest of the Holders, wholly or in part the distributable profits in the form of a stock dividend, which would comprise bonus Units of the Fund and respective investment plan. The bonus Units would rank pari passu as to their rights in the Net Assets of the Fund and pertinent Investment Plan(s), earnings, and receipt of dividend and distribution with the existing Units from the date of issue of these bonus Units.

21.4 Before making any payment in respect of a Unit, the Trustee or the Management Company may make such deductions as may be required by law in respect of any Zakat, income or other taxes, charges or assessments whatsoever and issue to the Holder the certificate in respect of such deductions in the prescribed form or in a form approved or acquired by the concerned authorities.

21.5 If any non-halal income is earned the same would be given as charity to a registered charity institution.

22. Change of the Management Company

22.1 The SECP may, either at its own or on the recommendation of the Trustee or Unit Holders representing such percentage of the total Units in issue for the time being as may be prescribed by the Regulations, remove the Management Company in such manner and on the occurrence of such circumstances as are prescribed under the Regulations.

22.2 The Commission shall appoint another Management Company as the Management Company for the Scheme according to the provisions of this Deed and the Rules and Regulations.

22.3 The Management Company may voluntarily retire at any time with the prior written consent of the Commission and at least ninety (90) days prior notice to the Trustee and the Unit Holders.

22.4 Upon a new Management Company being appointed, the Management Company will take immediate steps to hand over all the documents and records pertaining to the Trust to the new management company and shall pay all sums due to the Trustee. The Management Company shall have the right to receive its remuneration upto the effective date of removal or retirement.

22.5 Upon its appointment the new Management Company shall exercise all the powers and enjoy all the rights and shall be subject to all duties and obligations of the Management Company hereunder as fully as though such new management company had originally been a party hereto.

22.6 Furthermore, the Trustee may immediately in case of retirement, removal or cancellation of license of Management Company appoint auditors with the consent of the Commission from amongst the panel of auditors designated as “A” Category by State Bank of Pakistan for the audit of financial institutions. The Trustee shall ensure that accounts of the Fund till the day of the appointment of the new management company are audited by such Auditor.

22.7 The auditors so appointed shall be other than the existing auditors of the Fund, the Management Company and the Trustee.

22.8 The auditors shall have the same scope as that for the annual audit, or such other enhanced scope as may be specified by the Trustee or Commission.

22.9 The audit report for the audit shall be submitted by the auditors to the Trustee not later than thirty (30) Business Days from their appointment. A copy of the report shall also be provided to the Commission, Management Company and the new Management Company .

22.10 The costs of such audit shall be borne by the Fund and respective Investment Plan(s) on the basis of its net assets.

23. Change of Trustee

23.1 The Trustee may, subject to the prior approval of the Commission, retire from his office on appointment of a new trustee and the retirement shall take effect at the same time as the new trustee is appointed with the approval of the Commission or from the date of assumption of Trust Property of the Scheme by the newly appointed trustee, whichever is later.

23.2 In circumstances where the Commission is of the opinion that Trustee has been in violation of the Regulations or this Trust Deed or found guilty of misconduct or failed to discharge its obligations under the Regulations, it may remove the Trustee after giving an opportunity of being heard.

23.3 The Management Company may, giving cogent reasons, apply to the Commission for change of the Trustee by simultaneously proposing appointment of a new Trustee. A new Trustee shall be appointed when the Commission is satisfied with the circumstances and reasons for this change and accords approval for appointment of such a new Trustee.

23.4 Upon the appointment of a new trustee the Trustee shall immediately hand over all the documents and records to the new trustee and shall transfer all the Trust Property and any amount held in any Distribution Account to the new trustee and make payments to the new trustee of all sums due from the Trustee. The Trustee shall have the right to receive its remuneration up to the effective date of its removal or retirement.

23.5 The new trustee shall exercise all the powers and enjoy all the rights and shall be subject to all duties and obligations of the Trustee hereunder as fully as though such new trustee had originally been a party hereto.

23.6 The Management Company may immediately in case of retirement or removal of Trustee appoint auditors with the consent of the Commission from amongst the panel of auditors designated as

"A" Category by State Bank of Pakistan for the audit of financial institutions. The Management Company shall ensure that accounts of the Fund till the day of the appointment of the new trustee are audited by such Auditor.

23.7 The auditors so appointed shall be other than the existing auditors of the Fund, the Management Company and the Trustee.

23.8 The auditors shall have the scope as may be specified by the Management Company or Commission.

23.9 The audit report for the audit shall be submitted by the auditors to the Management Company not later than thirty (30) Business Days from their appointment. A copy of the report shall also be provided to the Commission, the Trustee and the new trustee.

23.10 The costs of such audit shall be borne by the Fund and respective Investment Plan(s).

24. Termination, Winding Up, Revocation and Liquidation of the Scheme/ Investment Plan

24.1 The Management Company subject to regulatory approval, may announce winding up of the Fund and / or Investment Plan(s) in the event redemption requests build up to a level where the Management Company is of the view that the disposal of the Trust Property of the Fund and/or respective Investment Plan(s) to meet such redemptions would jeopardize the interests of the remaining Unit Holder(s) and that it would be in the best interest of all the Unit Holder(s) that the Fund and / or Investment Plan(s) be wound up.

24.2 In such an event Queue system, if already invoked, shall cease to exist and all unit holders shall be paid after selling the assets on the basis of final redemption price for the Fund and respective Investment Plan(s) being offered under this scheme.

24.3 The Trust or Investment Plan may also be terminated/revoked on the grounds given in the Rules and Regulations.

24.4 After termination/ revocation, liquidation proceeds shall be distributed among the unit holders in proportion to the number of units held by them in the Fund and each Investment Plan, in accordance with the procedures laid down in Regulations.

25. Distribution Manner upon Liquidation of Scheme/ Investment Plan(s)

25.1 The Trustee on the recommendation of the Management Company shall from time to time distribute to the Unit Holders pro rata to the number of units of the Fund and/ or Investment Plan(s) held by them respectively all net cash proceeds derived from the realization of the Trust Property of the Fund and/or respective Investment Plan(s) under the Scheme after repayment of the following expenses.

a) Outstanding financing obligation owed by that particular Investment Plan or Fund, as the case may be together with any unpaid markup / profit.
b) Retention of such sums as considered appropriate by the Management Company for all costs, charges, expenses, claims and demands (if any).

25.2 The Trustee shall however not be liable if the sale proceeds of the investments fall short of the adjustments in 25.1(a) and 25.1(b) above. However, if there is any surplus out of the sum so retained by the Trustee, the same shall be distributed amongst the Unit Holders of the pertinent Investment Plan. However, the simultaneous liquidation of all the investment plan(s) does not constitute the liquidation of the trust

26. Base Currency

The base currency of the Scheme shall be Pakistani Rupee; it being clarified, however, that the Authorized Investments may be denominated in Pakistani Rupee or (subject to applicable law) any other Foreign Currency.

27. Modification of the Trust Deed

27.1 In case the amendments are proposed in the fundamental attribute of the Constitutive Document of the Scheme including category of scheme, investment objective and policy, increase in management fee and increase in contingent load, or any other material change affecting existing unitholders, the Management Company must give prior notice to each Unit Holder about the proposed change as specified in the Regulations and the Unit Holders shall be given an option to exit at the applicable Net Asset Value without charge of any Exit Load.

27.2 The Trustee and the Management Company acting together shall be entitled by a Supplemental Deed to modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider expedient for any purpose, subject to the prior approval of the SECP and the Shariah Advisor and prior notice to the Unit Holders and subject to the condition that it does not prejudice the interests of unit holders.

27.3 If, at any time, any Clause of this Trust Deed is, or becomes, in whole or in part, illegal, invalid or unenforceable under the laws of any applicable jurisdiction, neither the legality, validity and enforceability of the remaining Clauses of this Trust Deed, nor the legality, validity or enforceability of such Clause under the law of any other jurisdiction shall in any way be affected or impaired thereby.

28. Audit

The Management Company shall appoint auditor in accordance with the requirements of the Regulations and directions issued thereunder.

29. Arbitration

In the event of any disputes arising out of or in connection with this Trust Deed or the Offering Document between the Management Company on the one part and the Trustee on the other part, including as to the respective rights and obligations of the parties hereto, as well as those relating to the interpretation of the terms and conditions of this Trust Deed and the Offering Document of the Unit Trust, the same shall be referred to arbitration by two arbitrators, one to be appointed by the Management Company and the other to be appointed by the Trustee. In the event of lack of consensus between the two arbitrators, the matter shall be referred to an umpire, to be selected by the two arbitrators before commencement of the reference. The unanimous decision of both the arbitrators, or the decision of the umpire, as the case may be, shall be final and binding upon both the parties hereto. The arbitrators and the umpire shall be selected from amongst retired judges, senior chartered accountants, or senior lawyers, or senior bankers or senior members of the Stock Exchange. The venue of the arbitration shall be Karachi or any other city in Pakistan as may be mutually agreed. The arbitration shall be conducted in accordance with the Arbitration Act, 1940.

30. Confidentiality

The Trustee and the Management Company and every director or officer of the Trustee and the Management Company who are in any way engaged in the business of the Trust and all persons employed or engaged by the Trustee or the Management Company in connection with the business of the Trust shall observe strict confidentiality in respect of all transactions of the Trust, its Holders and all matters relating thereto and shall not disclose any information or document which may come to their knowledge or possession in the discharge of their duties except when required to do so in the ordinary course of performance of their duties or by law or if compelled by any court of law or a competent authority.

31. Miscellaneous

31.1 Any notice required to be served upon the Holder shall be deemed to have been duly given if sent by post, by courier, email or any other electronic medium or left at his address as appearing in the Register. Any notice so served by post/courier/email or other electronic means shall be deemed to have been served on the day following that on which the letter containing the same is posted/sent by courier, by email or other electronic means upon receiving confirmation of receipt of such email or other electronic means and in proving such service, it shall be sufficient to prove that such letter was properly addressed, stamped (if required) and posted/sent by courier. The Management Company shall advertise any such notice in a newspaper widely published.

31.2 Service of a notice or document on any one of several joint Holders shall be deemed effective service on the other joint Holders.

31.3 Any notice or document sent by post to or left at the registered address of a Holder shall notwithstanding that such Holder be then dead or bankrupt/insolvent and whether or not the Trustee or the Management Company have notice of his death or bankruptcy be deemed to have been duly served and such service shall be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under him) in the Units concerned.

31.4 A copy of this Trust Deed and of any Supplemental Deed shall be made available for inspection at the respective Head Offices of the Trustee and the Management Company at all times during usual business hours and shall be supplied by the Management Company to any person on application at a charge of Rs.100/- (Rupees One Hundred) per copy or at such rate as determined from time to time by the Management Company .

SECTION-C

[The definitions should be as per the relevant category of scheme]

32. Definitions

Unless the context requires otherwise the following words or expressions when used in this Trust Deed shall have the meaning respectively assigned to them:

32.1 **"Accounting Date"** means the thirtieth day of June in each year and any interim date on which the financial statements of the Trust are drawn up. Provided that the Management Company may, under intimation to the Trustee after obtaining approval from the relevant competent authority may change such date to any other date and such change shall be intimated to the Commission.

32.2 **"Accounting Income"** means the accounting income as defined in the Regulations.

32.3 **"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 next day of the preceding Accounting Period.

32.4 **"Act"** means the Companies Act 2017**.**

32.5 **"Annual Accounting Period" or "Financial Year"** means the period commence on 1st July and shall end on 30th June of the succeeding calendar year.

32.6 **“Asset Management Company ”** means an Asset Management Company as defined in the Regulations.

32.7 **“Auditor”** means the Auditor of the Trust appointed by the Management Company , with the consent of the Trustee, as per the Regulations.

32.8 **“Authorized Branches”** means those branches of Distributors which are allowed by the Management Company to deal in Units of the Funds and/ or Investment Plans managed by the Management Company.

32.9 **“Authorized Investments”** means: any investment which may be authorized by the Commission but does not include restricted investments as specified in the Offering Documents from time to time.

32.10 **“Back-end Load”** means charges deducted from the Net Asset Value in determining the Redemption Price; provided however that different levels of Back-end Load may be applied to different classes of units, but unitholders within a class shall be charged same level of back end load as disclosed in the Offering Document.

32.11 **“Bank”** means Islamic Bank and/or Islamic banking windows of conventional bank providing banking services under the Banking Companies Ordinance, 1962, or any other regulation in force for the time being in Pakistan, or if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan.

32.12 **“Bank Accounts”** Bank Accounts opened in Scheduled Islamic Banks, Islamic banking windows of scheduled commercial banks. In case an account needs to be opened with a conventional bank, it shall only be a current account and it shall be opened after specific approval from the Shariah Advisor.

32.13 **“Business Day”** means any day (business hours thereof as specified in the Offering Document) on which banks, or stock Exchange or Future Exchange, are open for business in Pakistan.

32.14 **“Certificate”** means the definitive certificate acknowledging the number of Units registered in the name of the Unit Holder issued at the request of the Unit Holder pursuant to the provisions of this Trust Deed.

32.15 **“Central Depository Company of Pakistan Limited”** means central depository as defined under the Securities and Exchange Ordinance, 1969 (XVII of 1969).

32.16 **“Charity”** means amount paid by the Trustee, upon instruction of the Management Company and in consultation with the Shariah Advisor, out of the income of the Fund to Charitable Trust/welfare organization, representing income which is impermissible Haram.

32.17 **"Constitutive Documents"** means the Trust Deed or such other documents as defined in the Regulations.

32.18 **"Contingent Load"** means the amount payable by the Unit Holder on redemption of Units at actual basis as specified in the Offering Document. Any such amount would be treated as part of the scheme /Deposited Property. *[Note: The definition only to be included in those schemes where it is to be charged]*

32.19 **"Custodian"** means a Bank, a Depository or an Investment Finance Company licensed under the Regulations, which may be appointed by the Trustee with the consent of the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee; and shall also include the Trustee itself if it provides custodial services for the Fund.

32.20 **"Cut-Off Timings"** means day time for dealing in Units of the Fund /each Investment Plan. The Details of Cut-off Time will be prescribed in Offering Document of the Fund.

32.21 **"Dealing Day"** means that Business Day on which Units will be available for dealing (purchase, redemption, transfer, switching etc.). The cut-off timings for issuance, redemption, and conversion etc. of units of the Scheme and Investment Plans will be as defined in the Offering Documents on all Dealing Days. Provided that the Management Company may with the prior written consent of the Trustee and upon giving not less than seven days' notice in a widely circulated newspaper in Pakistan declare any particular Business Day not to be a Dealing Day.

32.22 **"Distribution Account"** means the Bank Account (which may be a current, saving or deposit account) maintained separately for the Fund and each Investment Plan by the Trustee with a Bank as directed by the Management Company in which the amount required for distribution of income to the Unit Holder(s) may be transferred. Income or profit, if any, including those accruing on unclaimed dividends, in this account shall be transferred to the main account of the Fund and Investment Plan(s) from time to time, as part of the Trust Property of the Fund and pertinent Investment Plan(s) for the benefit of the Unit Holder(s) of the Fund and Investment Plan(s).

32.23 **"Distributor / Distribution Company"** means a company/ firm appointed by the Management Company under intimation to the Trustee for performing any or all of the Distribution Functions and shall also include the Management Company itself, if it performs the Distribution Function.

32.24 **"Duties and Charges"** means in relation to any particular transaction or dealing all stamp and other duties, taxes, Government charges, bank charges, transfer fees, registration fees and other duties and charges in connection with the increase or decrease of the Trust Property or the creation, issue, sale, transfer, redemption or purchase of Units or the sale or purchase of

Investment or in respect of the issue, transfer, cancellation or replacement of a Certificate 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 commission payable to agents on sales and redemption of Units or any commission charges or costs which may have been taken into account in ascertaining the Net Asset Value.

32.25 **"Exit Load"** means contingent load, back end load and any other charges as may be applied by Management Company .

32.26 **"Financial Institution"** carries the same meaning as defined under the Companies Act 2017.

32.27 **"Formation Cost"** means preliminary expenses relating to regulatory and registration fees of the Scheme, flotation expenses of the Scheme, expenses relating to authorization of the Scheme, execution and registration of the Constitutive Documents, legal costs, printing, circulation and publication of the Offering Document, announcements describing the Scheme and all other expenses incurred until the end of the Initial Period.

32.28 **"Force Majeure"** means any occurrence or circumstance or element which delays or prevents performance of any of the terms and conditions of this Deed or any obligations of the Management Company or the Trustee and shall include but not limited to any circumstance or element that cannot be reasonably controlled, predicted, avoided or overcome by any party hereto and which occurs after the execution of this Deed and makes the performance of the Deed in whole or in part impossible or impracticable or delays the performance, including but not limited to any situation where performance is impossible without unreasonable expenditure. Such circumstances include but are not limited to floods, fires, droughts, typhoons, earthquakes and other acts of God and other unavoidable or unpredictable elements beyond reasonable control, such as war (declared or undeclared), insurrection, civil war, acts of terrorism, accidents, strikes, riots, turmoil, civil commotion, any act or omission of a governmental authority, failure of communication system, hacking of computer system and transmissions by unscrupulous persons, closure of stock exchanges, banks or financial institutions, freezing of economic activities and other macro-economic factors, etc.

32.29 **"Front-end Load"** means the Sales Load which may be included in the Offer Price of the Units, as defined in Offering Document. *[if allowed under the respective scheme]*

32.30 **"Haram Income"** means any income prohibited by the Shariah.

32.31 **"Holder" or "Unit Holder"** means the investor for the time being entered in the Register as owner of a Unit(s) or fraction(s), thereof including investors jointly so registered pursuant to the provisions of this Trust Deed and supplemental thereto.

32.32 **“Initial Period”** means Initial Offer Period for Fund and/ or Investment Plan(s).

32.33 **“Initial Price”** means the price per Unit on the first day of the Initial Period determined by the Management Company as mentioned in the Offer Document.

32.34 **“Investment”** means any Authorized Investment forming part of the Trust Property.

32.35 **“Investment Plan(s)”**mean(s) approved Investment Plan(s) offered under the Scheme. Each Investment Plan shall invest only in permissible asset classes and/or other instruments/authorized investment as approved by the Commission. Detail of the Investment Plan(s) shall be disclosed in the Offering Document of the Scheme.

32.36 **“Investment Facilitators/Advisors/Sales Agents”** means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Fund and Investment Plan(s) under the Scheme. The Management Company shall compensate the Investment Facilitators/Sales Agents.

32.37 **“NBFC”** means a non-banking finance company which includes company licensed by the Commission to carry out any one or more forms of business as specified in clause (a) of section 282A of the Ordinance.

32.38 **“Net Assets of Investment Plan”** mean the excess of assets over liabilities of a pertinent Investment Plan being offered under the Scheme, such excess being calculated in accordance with the Regulations.

32.39 **“Net Assets of the Fund/ Scheme”**, in relation to a collective investment scheme means the excess of assets over liabilities of the collective investment scheme, computed in the manner provided in the Regulations.

32.40 **“Net Asset Value” or "NAV”** means per Unit value of the Fund and /or Investment Plan(s) arrived at by dividing the Net Assets by the number of Units outstanding. The NAV of Fund and / or each Investment Plan under the Fund shall be announced on each dealing Day as per the direction of the Commission from time to time.

32.41 **“Offer Price” or “Purchase Price”** means the sum to be paid by investor(s) for the purchase of one Unit of the Fund and Investment Plan(s) under the Scheme. Such price is to be determined in accordance with Clause --- of this Trust Deed.

32.42 **“Offering Document”** means the prospectus or other document (issued by the Management Company with written consent of the Trustee and approved by the Commission) which contains the investments and distribution policy, unit structure and all other information in respect of the

Unit Trust, as required by the Rules and Regulations and is circulated to invite offers by the public to invest in the Scheme, and includes any Supplementary Offering Document.

32.43 **“Online”** means transactions through electronic data-interchange whether real time transactions or otherwise, which may be through the internet, intranet networks and the like.

32.44 **“Open-End Scheme”** means a collective Investment Scheme which offers units for sale based on net asset value on continuous basis without specifying any duration for redemption and which entitles the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges on redemption or revocation.

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

32.46 **“Redemption Price”** means the amount to be paid to the relevant Unit Holder(s) upon redemption of that Unit, such amount to be determined pursuant to Clause --- of this Trust Deed.

32.47 **“Register”** means the Register of the Unit Holder(s) kept pursuant to the Regulations and this Trust Deed.

32.48 **“Registrar or Transfer Agent”** means a company including a Bank that the Management Company shall appoint for performing the registrar functions. The Management Company may itself perform the registrar function.

32.49 **“Registrar Functions”** means the functions with regard to:

a) maintaining the Register, including keeping a record of change of addresses/other particulars of the Unit Holder(s);
b) issuing account statements to the Unit Holder(s);
c) issuing Certificates;
d) canceling old Certificates on redemption or replacement thereof;
e) processing of applications for issue, redemption, transfer and transmission of Units, recording of pledges, liens and changes in the data with regard to the Unit Holder(s);
f) issuing and dispatching of Certificates;
g) Dispatching income distribution warrants, and bank transfer intimation and distributing bonus Units or partly both and allocating Units to Holders on re-investment of dividends; and
h) Maintaining record of lien/pledge/charge on units, transfer/switching of units, Zakat.

32.50 **“Regulations”** mean Non-Banking Finance Companies and Notified Entities Regulations, 2008 as amended from time to time, 32.51 **“Rules”** mean Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or as amended from time to time.

32.52 **“Sales Load”** includes the Front-end load deducted at the time of investment or Back-end load charged at the time of redemption from Scheme. However, the load charged upon redemption and which forms part of the Scheme property shall not classify as sales load.

32.53 **“SECP” or “Commission”** means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 and shall include its successor.

32.54 **“Shariah”** means divine guidance as given by the Holy Quran and the Sunnah of Holy Prophet Muhammad and embodies all aspects of the Islamic faith, including beliefs, practices, rules and principles as per the interpretation of the Shariah Advisor of the fund.

32.55 **“Shariah Advisor”** means an Institution or a body of Islamic scholars, or an individual Islamic scholar appointed by the Management Company under Shariah Governance Regulations, 2023 of SECP under intimation to the Commission and the Trustee, having knowledge of Islamic finance, to supervise and monitor the activities of the Fund in order to ensure that all its activities comply with Shariah.

32.56 **“Shariah Compliant”** means any activity that is in accordance with the Islamic Shariah as advised by the Shariah Advisor.

32.57 **“Stock Exchange/Securities Exchange”** means a public company that is licensed by the Commission as a security exchange under the Securities Act, 2015.

32.58 **“Supplemental Deed”** means a deed supplemental to this Deed, executed by the Management Company and the Trustee, after seeking approval of the SECP, to modify, add to, alter and amend or amend and restate the provisions of this Deed or any other Supplemental Deed in such manner and to such extent as may be considered expedient for all purposes, which shall be consolidated, read and construed together with this Deed.

32.59 **“Supplementary Offering Document”** means a document issued to modify, add to, alter and amend, amend and restate or to make any other amendment to the Offering Document in such manner and to such extent as considered expedient for all purposes by the Management Company , with the consent of the Trustee, after seeking approval of the SECP, and the same shall be consolidated, read and construed together with the Offering Document.”

32.60 **“Transaction Costs”** means the costs incurred or estimated by the Management Company to cover the costs (such as, but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust's portfolio, inter alia, necessitated by creation or cancellation of Units or issuance or redemption of Units, which costs may be added to the NAV of the Fund and Investment Plan(s) to which the costs may be applicable for determining the Purchase (Offer) Price of such Units or to be deducted from the NAV of the Fund and said Investment Plan(s) to which the costs may be applicable in determining the redemption price.

32.61 **"Trust" or "Unit Trust" or "Fund" or "------------ Fund" or "--------" or "Scheme"** means the Unit Trust constituted by this Trust Deed for continuous offers for sale of Units of the Trust.

32.62 **"Trustee"** means a company appointed as a trustee of a notified entity as per the rules and regulations made under Part VIII A of the Ordinance.

32.63 **"Trust Deed" or "Deed"** means this trust deed executed between the Management Company and the Trustee along with all the exhibits appended hereto, , and includes any Supplemental Deed.

32.64 **"Trust Property of the Scheme/ Investment Plan"** means the aggregate proceeds of all Units of Fund and all Investment Plans issued from time to time after deducting Duties and Charges, and after deducting there from any applicable Front-end Load and includes Investment and all income, profit and other benefits arising wherefrom and all cash, bank balances and other assets and property of every description from the time being held or deemed to be held upon trust by the Trustee for the benefit of the Unit Holder(s) pursuant to this Deed but does not include any amount available for distribution in the Distribution Accounts of the Fund and Investment Plans. However, Back-end Load, Contingent Load and any profit on the Distribution Account of the Investment Plans shall also form part of the Fund Property of the Scheme.

32.65 **"Unit"** means one undivided share in the Trust, and where the context so indicates, a fraction thereof.

32.66 **"Zakat"** has the same meaning as in Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Words and expressions used but not defined herein shall have the same meanings assigned to them in the Rules and Regulations. 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.

IN WITNESS WHEREOF THIS TRUST DEED has been executed at the date mentioned herein above.

For the Management Company : *[Pls insert the name of Management Company]*

(1) Signature:___________________ (2) Signature:_________________

Name: ---------------------- Name: ----------------------

Designation: --------------- Designation: ---------------

CNIC: ---------------------- CNIC: ----------------------

The Common Seal of Asset Management Limited was hereunto affixed in the presence of:

Witness:

1) Signature:________________ 2) Signature:____________________

Name: ---------------------- Name: ----------------------

CNIC: ---------------------- CNIC: ----------------------

For the Trustee: *[Pls insert the name of trustee]*

(1) Signature:______________________ (2) Signature:________________

Name: ---------------------- Name: ----------------------

Designation: --------------- Designation: ---------------

CNIC: ---------------------- CNIC: ----------------------

The Rubber Stamp/Common Seal of ----------------------------Limited. *[The Trustee]* (was hereunto affixed in the presence of: -

Witness:

1) Signature: ______________ 2) Signature:______________

Name: ---------------------- Name: ----------------------

Designation: --------------- Designation: ---------------

CNIC: ---------------------- CNIC: ----------------------

<u>Annexure-XIV</u>

<u>[Format of the standard Trust Deed (*Conventional*)]</u>

[Regulation 44(3) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC & NE Regulations, 2008)]

TRUST DEED

of

---------------------------FUND

[Please insert the name of fund]

(An Open-End -------------- *[Please mention the Category of the Scheme]*

Scheme being a Specialized Trust as defined under--------
[Please mention the relevant provincial law e.g. section 2(u-i) of the Sindh Trusts Act, 2020, or section 3(t) of the Punjab Trusts Act, 2020]

Between

---------------------------- Limited

[Please insert the name of the management company]

(The Management Company)

and

-------------------------------- Limited

[Please insert the name of trustee]

(The Trustee)

Dated: -----------------

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TRUST DEED

SECTION-A

This TRUST DEED is made and entered into at ---------------- *[Please insert the name of city, like Karachi, Lahore etc.],* on this ___ day of _______*[Please insert the date]*.

1. Name of the Scheme**:**

--------------------------- FUND *[Please insert the name of fund/scheme]*

2. Category, Type and Benchmark of the Scheme:

a. **Category: ----------------**

b. **Type: ---------------**

c. **Benchmark: [*for reference only:*** *to be as mentioned in the offering document]*

3. Participating Parties and Constitution of the Trust:

-------------------- Limited *[Please insert the name of management company]***,** a public limited company incorporated in Pakistan under the [*Please insert relevant law such as Companies Ordinance, 1984, now Companies Act, 2017]* and licensed under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (hereinafter referred to as "Rules"), [listed on the Pakistan Stock Exchange Limited (*if listed*)] and having its registered office at --- *[Please insert registered office address of the management company]* (hereinafter called the "Management Company" which expression where the context so permits shall include its successors in interest and assigns) of the one part;

AND

-------------------------- Limited *[Please insert the name of trustee]***,** a public limited company incorporated in Pakistan, under the [*Please insert relevant law such as Companies Ordinance, 1984, now Companies Act, 2017]* and registered under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (hereinafter referred to as the "Regulations"), having its office at -------------------------------- *[Please insert registered office address of the trustee]* (hereinafter called the "Trustee or -------" which expression where the context so permits shall include its successors in interest and assigns) of the other Part.

WITNESSETH:

A. The Management Company holding a valid license by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the "Commission" or "SECP") as an Management Company pursuant to the Rules, which expression shall include any amendments thereto and substitutions thereof) for the purpose of undertaking asset management services, under License No. **----------------------** dated --------------------- attached hereto as **Annexure "A".**

B. The Management Company has been granted an in principle approval by SECP vide its letter bearing reference No. ------------------dated---------------------- attached herewith as **Annexure "B"** to register a trust deed for constituting the Trust under the name and title of "--------------------- Fund" *[Please insert the name of fund]* (hereinafter referred to as "the Scheme" or "the Trust" or "the Unit Trust" or "the Fund") and to register this Trust Deed ("the Deed") under the *[Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amendment) Act, 2021) (Please mention the name of relevant provincial Trust Act)]* and in term of Regulation 44 (3) of the Regulations and pending registration of the Trust as a notified entity under Section 282CA of the Ordinance and under Regulation 44 of the Regulations for the establishment and operation of the Trust in accordance with the provisions of the Rules and Regulations and the Trust Deed;

C. The Management Company has nominated and appointed ------------- *[Please insert the name of trustee]* as Trustee of the Scheme, ----------*[name of trustee]* is a registered Trustee under regulation 40B of the 2008. The ------------ *[name of trustee]* through letter No. ------------- dated ------------------- has given its consent to act as Trustee as per **Annexure "C"** and has accepted such appointment upon the terms and conditions herein contained. The Trustee further issued its consent letter with regards to the registration of this Deed vide its letter No. ------------------ dated -----------appended herewith as **Annexure "E"**;

D. The SECP has issued NOC in favor of ---------*[name of trustee]* for trust registration with ---under the [Sindh Trust Act, 2020] *[Please mention the name of relevant provincial Trust Act]* vide letter dated------------.

E. Directorate of Industries and Commerce Sindh [*[Please mention the name of relevant provincial Body]* has issued a certificate of registration upon registration of the Trust under. *[Please mention the name of relevant provincial Trust Act]*

F. The Scheme shall be regulated by the SECP under the relevant Rules and Regulations.

4. Structure of the Scheme:

[For Reference only: The Scheme shall either be in "Shell Structure" offering various Investment Plans or as an "Independent Fund Structure" with or without Investment Plans as specified by the Commission. Detail in the ensuing paras will be based on the structure of that particular CIS]

[option: In case of Independent Fund Structure without Investment Plans]

i. The Scheme offers investment in various investment avenues under the category of [name of category].

ii. The Fund will be launched as perpetual and may continue to receive subscriptions on perpetual basis.

iii. The allocation of investments will be governed by its own investment policy and objective which will be disclosed in the Offering Document of the Scheme.

iv. The Scheme may have one or more-unit types which will rank pari passu.

v. The minimum size of the Scheme shall be of such amount as specified by the Commission and disclosed in the Offering Document

[option: In case of Independent Fund Structure with Investment Plans]

i. The Scheme and the underlying investment plans may offers investment in various investment avenues in the category of [name of category].

ii. The allocation of investments of the Scheme will be governed by Scheme's own investment policy and objective whereas investment plans will have their respective investment policy and objective, which will be disclosed in the Offering Document of the Scheme.

iii. The Scheme will be launched as [*please mention perpetual or fixed term*] and may continue to receive subscriptions on [*please mention perpetual or fixed term*] basis. Further, investment plans may be of limited life / fixed maturity. [*Specify the allowable number of investment plans under the category in terms of circular No. 8 of 2025 and life of the such plans i.e. perpetual or limited life]*.

iv. The Scheme and each Investment Plan under the Scheme may have one or more-unit types and Management Company will announce separate NAVs for the Scheme and each investment plan separately which will rank pari passu inter se according to the number of Units of the Scheme and respective Investment Plans.

v. The Management Company may, with the prior approval of the Commission, introduce further Investment Plans through supplement to the Offering Document.

vi. The minimum size of Scheme and each Investment Plan under the Scheme shall be of such amount as specified by the Commission, disclosed in the Offering Document

[option: In case of Fund/ Scheme in Shell Structure with Investment Plans]

i. The Scheme Shall be in Shell Structure and may offer various Investment Plans under in the category of [Name of Category].

ii. The Investment Plans under the Scheme will invest in the respective investable avenues as defined in the Offering Document. However, the number of such plans at any point in time shall not exceed the limit specified by the Commission. *[To be as per the Type/structure of the Fund and allowable limit of investment plans as per law/circular/directions]*

iii. The Scheme may be launched as perpetual and the investment plans may continue to receive subscriptions on perpetual or limited time basis or as may be specified in Offering Document in line with the applicable regulatory framework.

iv. It may launch further Investment plans and each investment Plan shall have its own investment policy which will be disclosed in Offering Document of the Scheme.*[To be as per the Type/structure of the Fund and allowable limit of investment plans as per law/circular]*

v. Each Investment Plan under the Scheme may have one or more-unit types and Management Company will announce separate NAVs for each investment plan separately which will rank pari passu inter se according to the number of Units of the respective Investment Plans.

vi. The Management Company may, with the prior approval of the Commission, introduce further Investment Plans through offering document/or supplement to the Offering Document.

vii. The investor may invest in any one or more of the available Investment Plan(s).

viii. The minimum size of each Investment Plan shall be of such amount as specified by the Commission, disclosed in the Offering Document.

5. Investment of Trust Property and Exposure Limits:

5.1 Investment Objective: *[Reference only: To be as per the Type/structure of the Fund/ Scheme]*

The objective of ----- Fund *[Please insert the name of fund, e.g: is to earn competitive return by investing in various asset classes/instruments based on the market outlook and may easily change allocation to take advantage of directional macro and micro economic trends and undervalued securities]*. [Insert Objective of the Fund relevant to its category]

Objective of the Fund/ or and each Investment Plan under this Fund will be defined in detail in its Offering Document or the Supplemental of the Offering Document.

5.2 Investment Policy: *[To be as per the Type/structure of the Fund/ Scheme]*

The Investment Policy of the Fund and each Investment Plan shall be in accordance with the Rules, Regulations and directives issued by SECP and shall be specified in the Offering Document. The Fund and Investment Plan(s) under the Fund shall invest only in authorized investments as disclosed in the Offering Document and approved by the Commission. Details of investment avenues shall be disclosed in the Offering Document.

5.3 Investment and Exposure Limits:

The Trust Property shall be invested by the Trustee from time to time as directed by the Management Company subject to the provisions of Rules, Regulations and directives issued thereunder and the Offering Document.

5.4 Investment Restrictions:

The details of restrictions on the investment of the deposited/ trust property and any exception granted to such investment restrictions are mentioned in the Offering Document in line with the applicable Rules, Regulations and circular/directives issued by the SECP.

5.5 Financing Arrangements/ Restrictions or any other Restrictions:

5.5.1 Subject to any statutory requirements for the time being in force and to the terms and conditions herein contained, the Management Company on behalf of the scheme may arrange financing for account of the Fund and one or more of the Investment Plan(s) under the Scheme, with the approval of the Trustee, from Banks, financial institutions, non-banking finance companies or such other companies as specified by the Commission from time to time. The financing, however, shall not be resorted to, except for meeting the redemption requests and shall be repayable within a period of ninety days and such financing shall not exceed fifteen per cent of the Net Asset of the Fund and/ or pertinent Investment Plan at the time of financing or such other limit as specified by the Commission.

5.5.2 The charges payable to any bank, non-banking finance companies or financial institution against financings on account of the Fund and/or Investment Plan(s) under the Fund as permissible under Clause 5.4.1 above, shall not be higher than the normal prevailing bank charges or normal market rates.

5.5.3 Neither the Trustee, nor the Management Company shall be required to issue any guarantee or provide security over their own assets for securing financings from Banks and financial institutions. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of financings.

5.5.4 For the purposes of securing any financing the Trustee may, subject to clause 5.4.1 above, on the instruction of the Management Company mortgage, charge or pledge in any manner all or any part of the Trust Property of the Fund and pertinent Investment Plan(s).

5.5.5 Neither the Trustee nor the Management Company shall incur any liability by reason of any loss to the Trust or any loss that a Unit Holder(s) may suffer by reason of any depletion in the Net Asset Value that may result from any financing arrangement made hereunder in good faith.

6. Fees and Charges:

6.1 Maximum percentage of the Charge Payable by the investor on subscription, redemption and conversion of units [Reference only: *List and narrate the items for example: sales load, contingent load etc.]*

Charges payable by unitholders with respect to subscription, redemption, transfer and conversion of units will be disclosed in the offering document in line with the applicable regulatory framework.

6.2 Remuneration of the Management Company and its Agents:

6.2.1 The Management Company shall be entitled to prescribe and receive remuneration up to the maximum rate of remuneration as permitted under the Regulations and directives issued thereunder.

6.2.2 The remuneration shall begin to accrue from the close of Initial Offering Period of each Investment Plan / Fund as specified in the Offering Document.

6.2.3 Such remuneration shall be paid to the Management Company in arrears as per regulatory framework and shall be disclosed in the offering document .

6.2.4 In consideration of the foregoing and save as aforesaid the Management Company shall be responsible for the payment of all expenses incurred by the Management Company from time to time in connection with its responsibilities as Management Company of the Trust. The Management Company shall not make any charge against the Unit Holder(s) or against the Trust Property or against the Distribution Account for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Regulations and directives issued there under and this Deed to be payable out of Trust Property.

6.2.5 The Management Company shall 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 this Deed.

6.2.6 Any increase in the remuneration of the Management Company, agreed to by the Trustee and approved by the Commission shall require prior notice to the unit holders as per applicable law and is disclosed in the offering document. However, any decrease in remuneration of the Management Company shall not require such notice.

6.3 Remuneration of Trustee and Its Agents:

6.3.1 The Trustee shall be entitled to a monthly remuneration out of the Trust Property determined in accordance with **Annexure---**. The remuneration shall begin to accrue from the close of Initial Period.

6.3.2 Such remuneration shall be paid to the Trustee in arrears as per regulatory framework and shall be disclosed in the offering document .

6.3.3 In consideration of the foregoing and save as aforesaid the Trustee shall 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 shall not make any charge against the Holders or against the Trust Property or against the Distribution Account for their services or for their expenses, except such expenses as are expressly authorized to be paid out of the Trust Property under the provisions of the Regulations and the Constitutive Documents.

Any increase in the remuneration of the Trustee as disclosed in the offering document, agreed by the Management Company shall require the approval of the Commission along with prior notice to unit holders as required under applicable regulatory framework and also mentioned in the offering document. However, any decrease in remuneration of the Trustee shall not require such approval.

6.4 Formation Cost and its Treatment *[Based on Type and Structure of the Scheme]*

6.4.1 The Formation Cost of the Fund and its amortization shall not exceed the limit specified in the Regulations or circular or any directive of the Commission which shall also be disclosed in the offering document. In case of Independently launched Fund, which also offers investment plans, formation cost shall be applied proportionately to the Fund and investment plans thereunder.

In case of Shell Structure, the formation cost applies proportionately to the investment plans being offered under the Fund and its amortization shall not exceed the limit specified in the Regulations, and shall be disclosed in the offering document.

Provided that where the Formation Cost is not entirely amortized and AMC introduces new Investment Plan, the unamortized portion of the Formation Cost will be distributed proportionately among the

Fund and all operational Investment Plan based on the respective Net Assets at the close of the IPO/IOP for the Fund and Investment Plan(s). However, any initial expenses directly associated with the launch of the Fund or Investment Plan(s) will not charge from the subsequently launched plans, and vice versa.

Provided further that any Investment Plan launched after the expiry of amortization period as specified in the Regulations or circular or direction, from the date of the first amortization of the Formation Cost of the Fund, such Investment Plan(s) shall not bear or amortize any expenses incurred under the head of Formation Cost for the subject Fund.

6.4.2 The Formation Cost shall be reported by the Management Company to the SECP and the Trustee giving their break-up under separate heads, as soon as the distribution of the Units of the Fund and Investment Plan(s) under the scheme is completed.

6.4.3 Formation cost shall be charged to the Fund and each investment plan which shall launch from time to time and shall not exceed such limits as specified in the Regulation or directives issued thereunder.

6.5 Other Costs and Expenses to be Charged to and Borne by the Trust

All other costs and expenses specified in the Regulations and directives issued there under shall be charged to and borne by the Trust and shall be specified in the Offering Document.

SECTION-B

[For Reference only: Note : In case of any change/modification in Section-B due to any reason, Section-B shall be duly supported by an certificate signed by the CEO of the management company stating the rationale/justification for such change, moreover this note should not be made printed on Trust Deed]

7. Governing Law and Jurisdiction:

7.1 This Trust Deed shall be subject to and governed by the laws of Pakistan, including the Companies Ordinance, 1984, Companies Act, 2017, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, [applicable provincial Trust Act] [e.g. Sindh Trust Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021)] *[Please mention the relevant provincial Trust Act],* any directives or circulars issued by SECP and all applicable laws and regulations as amended or replaced from time to time. Where any Rules or Regulations, circular/directives are amended, any directives are issued or any relaxation or exemption is allowed by SECP it shall be deemed for all purposes whatsoever that all the provisions required to be contained in a trust deed pursuant to such amendments, directive, relaxation or exemption shall be deemed to have been incorporated in this Trust Deed without requiring any modification unless specifically required by the SECP, in the event of any conflict between this Trust Deed and the provisions of the Rules Regulations, directives, circulars, the latter shall supersede and prevail over the provisions contained in this Trust Deed.

7.2 All investments of the Trust property of the scheme shall be in accordance with the rules, regulations, circular/directives of SECP issued from time to time. The Fund and/or investment plan(s) shall be subject to the rules and regulations of the State Bank of Pakistan and the SECP with regard to the foreign Investments made by the Fund and also with regard to investments that may be made in the Fund from outside Pakistan. The Investments made by the Fund and/ or investment plan(s) in other/foreign countries and bank accounts and custodial services accounts that may be opened by the Trustee for the Fund in other/foreign countries on the instructions of the Management Company may become subject to the laws of such countries. Foreign investments made by the Fund shall be in accordance with the law/ guidelines.

7.3 Subject to the Clause **--** hereafter, applicable between the Management Company and the Trustee inter se, each party, including the Unit Holder(s), irrevocably submit to the exclusive jurisdiction of the Courts at Karachi.

8. Declaration of Trust

8.1 Amount received from Pre-IPO Investors of the Fund and respective investment plan(s), shall be held by the Trustee in the capacity of custodian and such amount including any accretion/ profit thereon shall be the right of those investors who invested such amount till the time of IPO/IOP.

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8.2 It is hereby irrevocably and unconditionally declared that:

a) The Trustee shall hold and stand possessed the Trust Property that may from time to time hereafter be vested in the Trustee upon trust for the benefit of the Unit Holder(s) of the Fund and each Investment Plan under the scheme. The right and interest among the unitholders shall rank pari passu inter se, according to the number of Units held by each Unit Holder in the Fund and/ or Investment Plan(s).

b) The Fund and Each Investment Plan will have separate asset class according to the approved Fund and individual Investment Plan launched from time to time and all investment assets shall be kept separately for the Fund and their respective Investment Plan.

c) The Trust Property shall be invested or disinvested from time to time by the Trustee at the direction of the Management Company strictly in terms of the provisions contained and the conditions stipulated in this Trust Deed, the Offering Documents, the Rules, the Regulations and the conditions (if any) which may be imposed by the SECP from time to time; and

d) The Management Company shall establish, manage, operate and administer the Fund and its Investment Plan(s) in accordance with the Rules, Regulations, any directive or circular as issued or amended by SECP from time to time, this Deed and the Offering Document.

9. Effect of this Deed and Status of Unit Holder(s):

9.1 **Deed Binding on Each Unit Holder:**

The terms and conditions of this Trust Deed as amended, as per the term of Clause -- of this Deed, from time to time shall be binding on each Unit Holder as if the Unit Holder had been party to it and shall be bound by its provisions and shall be deemed to have authorized and required the Trustee and the Management Company to do as required of them by the terms of this Deed and the Regulations.

9.2 **Unit Holder(s) Not Liable to Make Further Payments:**

No Unit Holder(s) shall be liable to make any further contributions to the Fund and Investment Plan(s) once Unit Holder has paid the purchase price of the Units in full as specified in the Offering Document and no further liability shall be imposed on any Unit Holder in respect of the Units held.

9.3 **Units to Rank Pari Passu:**

All Units and fractions thereof of Fund and each Investment Plan under the Scheme represent an undivided share in that respective Investment Plan under the Scheme and shall rank pari passu according to the number of Units held by each Unit Holder of that Investment Plan including as to the rights of the Unit Holder(s) in the Net Assets, earnings and the receipt of the dividends and distributions for each Investment Plan. Each Unit Holder has a beneficial interest in the Trust property of the respective Investment Plan under the scheme proportionate to the Units and fractions of that Investment Plan held by such Unit Holder and shall have such rights as are set out in this Trust Deed and the Offering Document.

9.4 **Trustee Report to Unit Holders:**

The Trustee shall issue periodic reports to the Unit Holders in accordance with the applicable laws and regulations.

10. Role of the Management Company:

10.1 The Management Company shall manage, operate and administer the Scheme in accordance with the Rules, Regulations, directives, circulars and guidelines issued by SECP and this Deed and the Offering Document.

10.2 The Management Company has the primary responsibility of maintaining all investor records. The Management Company may perform the Registrar Functions itself or may appoint another Company to perform such functions on its behalf. Moreover, the Management Company shall provide the Trustee unhindered access to all records relating to the Scheme.

10.3 The Management Company may from time to time, with the consent of the Trustee, form procedures for conducting the business of the Trust or in respect of any other matter incidental thereto; provided that such procedures are not inconsistent with the provisions of the Rules and the Regulations any directives, circulars and guidelines issued by SECP and this Deed.

10.4 The Management Company shall be responsible to facilitate investments and disinvestments by investors in the Fund and/or Investment Plan(s) under the Fund and to make adequate arrangements for receiving and processing applications in this regard.

10.5 The Management Company, shall from time to time under intimation to the Trustee appoint, remove or replace one or more suitable persons, entities or parties as Distributor(s) for carrying on Distribution Functions at one or more location(s). Provided that the Management Company may also itself act as a Distributor for carrying on Distribution Functions

10.6 The Management Company may at its own responsibility and costs from time to time appoint Investment Facilitators to assist it in promoting sales of Units. An updated list of Distributors and Investment Facilitators appointed by Management Company shall be made available at all times on the website of the AMC.

10.7 The Management Company shall not be under any liability except such liability as may be expressly assumed by it under the Rules, Regulations, this Trust Deed and the Offering Documents, nor shall the Management Company (save as herein otherwise provided) be liable for any act or omission of the Trustee nor for anything except for its own gross negligence or willful breach of duty and the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed and the Offering Document, the Management Company shall not be under any liability thereof or thereby and it shall 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.

10.8 The Management Company shall nominate and notify to the Trustee one or more of its officer(s) to act as authorized persons for interacting with and giving instructions to the Trustee. Any instruction or notice given by such authorized persons shall be deemed to be the instruction or notice given by the Management Company. Any change in such authorized persons shall promptly be notified to the Trustee.

10.9 The Management Company shall, from time to time, advise the Trustee of any settlement instructions relating to any transactions entered into by it on behalf of the Trust. The Management Company shall ensure that settlement instructions are given promptly after entering into the transaction so as to facilitate timely settlement.

10.10 The Management Company shall provide the Trustee with regular reports indicating profit income and other forms of income or inflows, relating to the investments that are due to be received.

10.11 The Management Company may, if it considers necessary for the protection of Trust Property or safeguarding the interest of the Unit Holders, request the Trustee to 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 at the cost of the Fund.

10.12 The Management Company shall designate and disclose the location of its official points for acceptance of applications for issuance, redemption, conversion, etc. of Units in the Offering Document of the Scheme and on its website.

10.13 The Management Company shall ensure that all the designated points for acceptance of applications for issuance, redemption, conversion, etc. of units of the Scheme have appropriate date and time stamping mechanism for timely acknowledgement of the said applications.

10.14 The Management Company shall announce the Net Asset Value (NAV) of the Fund and/ or the Investment Plans under the Scheme within such time period and at such frequency as specified by the Commission from time to time and shall disclose such time period and frequency in the Offering Document.

11. Role of the Trustee

11.1 The trustee shall perform its role as specified in the Rules, Regulations and directives, circulars issued there under, this Deed and the Offering Document.

11.2 The Trustee shall nominate one or more of its officers to act as authorized persons for performing the Trustee's functions and for interacting with the Management Company. Any change in such authorized persons shall be promptly notified to the Management Company.

11.3 The Trustee shall under prior intimation to the Management Company appoint, remove or replace from time to time one or more bank(s) and/or other depository company(ies) etc. to act as the Custodian for holding and protecting the Trust Property and every part thereof and for generally performing the custodial services at one or more locations and on such terms as the Trustee and the Management Company may mutually agree and to be incorporated in custodial services agreement to be entered into between the Trustee and the Custodian, except where the Trustee itself is acting as a Custodian.

11.4 The Trustee shall 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 shall account to the Trust for any loss in value of the Trust Property where such loss has been caused by gross negligence or any reckless act or omission of the Trustee or any of its directors, officers, nominees or agents.

11.5 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holder(s). The Trustee shall not be under any liability on account of anything done or suffered by the Trust, if the Trustee had acted in good faith in performance of its duties under this Trust Deed or in accordance with or pursuant to any request of the Management Company provided it is not in conflict with the provisions of this Trust Deed or the Rules and Regulations. Whenever pursuant to any provision of this Trust Deed, any instruction, certificate, notice, direction or other communication is required to be given by the Management Company, the Trustee may accept as sufficient evidence thereof:

a) a document signed or purporting to be signed on behalf of the Management Company by any authorized representative(s) whose signature the Trustee is for the time being authorized in writing by the Management Committee to accept; and

b) any Instructions received online through the software solution adopted by the Management Company/Trustee in consultation with each other shall be deemed to be instructions from the authorized representative(s).

11.6 The Trustee shall not be liable for any loss caused to the Fund or to the value of the Trust Property due to any elements or circumstances of Force Majeure.

11.7 In the event of any loss caused due to any gross negligence or willful act and/or omission, the Trustee shall 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. However, the trustee shall not be under any liability thereof or thereby and it shall 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.

11.8 The Trustee shall make available or ensure that there is made available to the Management Company such information as the Management Company may reasonably require from time to time in respect of the Trust Property and all other matters relating to the Trust.

11.9 The Trustee shall, if requested by Management Company or if it considers necessary for the protection of Trust Property or safeguarding the interest of Unit Holder(s), 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 pleadings 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 director(s) and officer(s). All costs, charges and expenses (including 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 gross negligence or breach of its duties in connection with the Trust under this Deed or the Rules and Regulations. For the avoidance of doubt it is clarified that notwithstanding anything contained in this Deed, the Trustee and the Management Company shall not be liable in respect of any losses, claims, damages or other liabilities whatsoever suffered or incurred by the Trust arising from or consequent to any such suit, proceeding, arbitration or inquiry or corporate or shareholders' action or otherwise howsoever and (save as herein otherwise provided) all such losses, claims, damages and other liabilities shall be borne by the Trust.

11.10 The Trustee shall not be under any liability except such liability as may be expressly assumed by it under the Rules and Regulations and this Trust Deed nor shall the Trustee be liable for any act or omission of the Management Company nor for anything except for loss caused due to its willful acts or omissions or gross negligence or that of its agents in relation to any custody of the Trust Property forming part of the Deposited Property. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed the Trustee shall not be under any liability thereof or thereby and it shall 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.

11.11 The Trustee shall promptly forward to the Management Company within one Business Day any notices, reports or other documents issued by the issuers of securities, recipients of any of the Trust funds (as deposits, refunds, distribution of dividends, income, profits, repayment of capital or for any other reason), any depository, an intermediary or agent in any transaction or from any court, government, regulator, stock exchange or any other exchange.

12. Trust Property

12.1 The aggregate proceeds of all Units issued from time to time by the Fund and/ or each of the Investment plan(s) under the Fund shall after deducting Duties and Charges, Transactions Costs and any applicable Sales Load, shall constitute part of the Trust Property and includes the Investment and all income, profit and other benefits arising therefrom and all cash, bank balances and other assets 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 Unit Holder(s) pursuant to this Deed but does not include any amount payable to the Unit Holders of the Fund and/ or Investment Plan(s) under the Fund as distribution. However, any profit earned on the amount payable to the Unit Holders of the Fund and Investment Plan(s) as distribution shall become part of the Trust Property of the Fund and pertinent investment plan

The property of the Fund and/ or each investment plan shall always be held as separate property and in no way shall the assets and liabilities of one investment plan be commingled with any other investment plan

12.2 The income earned on the investments of pre-IPO Investors in the Fund and/ or respective Investment plan(s) if any upto the start of IPO may be paid to such investors on pro rata basis from the date of investment either in cash or issue in the form of additional units of the Fund and respective Investment Plan in any for an amount equal to the income earned, as selected by such investors.

12.3 The property of each Investment Plan shall always be kept as separate property and in no way assets and liabilities of one Investment Plan shall be merged with any other Investment Plan unless required by the Regulations.

12.4 Bank accounts for the Fund and investment Plan(s) being offered from time to time shall always be in the name of the Trustee.

12.5 The Trust Property of the Fund and each Investment Plan shall initially be constituted out of the proceeds received from investors till the time of Public Offering (PO) after deducting any applicable Duties and Charges, Transactions Costs and Front-end Loads therefrom.

12.6 All expenses incurred by the Trustee in effecting the registerable Investments in its name shall be payable out of the Trust Property.

12.7 The Trustee shall take the Trust property of the Fund and respective Investment Plan(s) under the Scheme into its custody or under its control either directly or through the Custodian and hold it in trust for the benefit of the Unit Holders of the Fund and respective Investment Plan(s) in accordance with the provisions of the Regulations, applicable law, and this Deed. The Trust Property of Fund and Investment Plan(s) shall be held separately by the Trustee and the Trust Property of all the Investment Plan(s) collectively shall constitute the Trust Property of the Scheme. The Trust Property of the Fund and each Investment Plan shall always be kept as a separate property and shall not be applied to make a loan or advance except in connection with the normal business of the Fund.

12.8 Except as specifically provided in this Trust Deed, the Trust Property shall always be kept as separate property free from any mortgages, charges, liens or any other encumbrances whatsoever and the Trustee or the Custodian shall not, except for the purpose of each Investment Plan under the Scheme as directed by the Management Company, create or purport to create any mortgages, charges, liens or any other encumbrance whatsoever to secure any loan, guarantee or any other obligation actual or contingent incurred assumed or undertaken by the Trustee or the Custodian or any other person.

13. Voting Rights on Trust Property:

13.1 All rights of voting attached to any Trust Property shall be exercisable by the Management Company on behalf of the Trustee and it shall be entitled to exercise the said rights in what it may consider to be in the best interest of the Unit Holders and may refrain at its own discretion from the exercise of any voting rights and the Trustee or the Unit Holders shall not have any right to interfere or complain.

13.2 The Trustee shall upon written request by the Management Company and on account of the Trust Property, from time to time execute and deliver or cause to be executed or delivered to the Management Company or their nominees powers of attorneys or proxies authorizing such attorneys and proxies to vote, consent or otherwise act in respect of any investment in such form and in favor of such persons as the Management Company may require in writing.

13.3 The phrase “rights of voting” or the word “vote” used in this clause shall be deemed to include not only a vote at a meeting but the right to elect or appoint directors, any consent to or approval of any arrangement scheme or resolution or any alteration in or abandonment of any rights attaching to any Investment and the right to requisition or join in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement. The Management Company shall keep record stating the reasons for casting the vote in favor or against any resolution for a period of six (06) years.

14. Disclosure of transactions with Connected Persons:

Transaction with connected persons shall be in accordance with the Rules, Regulations and circular/directives issued by SECP and shall be specified in the Offering Document.

15. Valuation of Property and Pricing:

15.1 Valuation of Assets & Liabilities and Net Asset Value of each Investment Plan under the Fund:

The method for determining the value of the assets and liabilities and the Net Asset Value would be as specified in the Regulations and the directives issued thereunder by the Commission; from time to time.

15.2 Determination of Purchase (Offer) Price:

a) During the Initial Public Offering, the Units of the Fund and/ or each Investment Plan will be offered at Initial Price as announced by Management Company.

After the Initial Offer, the Offer Price for the Unit Holder(s) shall be determined from time to time as specified in the Regulations, directives issued thereunder and the Offering Documents. The offer price shall be announced by the Management Company for every Dealing Day through its website and MUFAP.

b) The Management Company may announce different classes of Units with different levels of Sales Load, as specified in the Offering Documents.

16. Determination of Redemption Price

During the Initial Period, the Units shall not be redeemed. After the Initial Period, the Redemption Price of units of the Fund and/ or each investment plan shall be calculated and announced by the Management Company for every Dealing Day as specified in the Regulations, directives issued there under and the Offering Documents.

17. Dealing in Units, Issuance of Certificates, Suspension and Deferral of Dealing

17.1 Dealings in Units and Issuance of Certificates

d) Issuance, redemption, transfer, pledge/lien of Units and issuance and replacement of certificates shall be carried out in accordance with the requirements of Rules, Regulations and directives issued thereunder and the procedures for these shall be specified in the Offering Document.

e) Notwithstanding anything to the contrary contained herein, where the Units are declared as CDS Eligible Securities, all matters concerning issuance, transfer, pledge and redemption of such Units issued in book entry form or deposited in to the CDS shall be dealt with in accordance with the provisions of the Central Depositories Act, 1997 (XIX of 1997), the Central Depository Company of Pakistan Limited Regulations as amended from time to time, and any notifications or directions given by the Commission.

f) the maximum interval between the receipt of a properly documented request for redemption of units and the issue of payment instrument for redemption money to the holder not to exceed working days as specified in the Regulations;

17.2 Temporary Change in the Method of Dealing

Subject to compliance with the Regulations and the circumstances mentioned in the Offering Document, the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units.

17.3 Suspension of Redemption of Units

a) The Redemption of Units of the Fund and/ or Investment Plan(s) may be suspended during extraordinary circumstances including closure of the money market, capital market, capital market infrastructure institutions and scheduled banks, the existence of a state of affairs, which in the opinion of the Management Company, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Unit Holders in the Fund and/or the Investment Plan(s) or a break down in the means of communication normally employed in determining the price of any investment, or when remittance of money cannot be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Unit Holders of the Fund and Investment Plan(s) to redeem Units at a price so determined in accordance with the Net Asset Value (NAV) of the Fund and Investment Plan(s). The Management Company may announce a suspension of redemption and such a measure shall be taken to protect the interest of the Unit Holder in the event of extraordinary circumstances.

b) Redemption requests received on the day of the suspension may be rejected or would be redeemed at the redemption price on the first Dealing Day after the removal of the suspension.

18. Queue System

In the event redemption requests on any day exceed ten percent (10%) of the Units in issue of the respective investment plan(s) in issue or any other threshold as may be specified by the Commission, the Management Company may invoke a queue system whereby requests for redemption of the Units of the Fund and/ or pertinent Investment Plan(s) shall be processed on a first come first served basis for up to ten percent (10%) of the Units of the Fund and/ or such Investment Plan(s) the Unit in issue, or any other percentage as may be specified by the Commission.

The Management Company shall proceed to sell adequate assets of the Fund and Investment Plan(s) of the Scheme and/ or arrange financing as it deems fit in the best interest of the Holders and shall determine the Redemption Price to be applied to the redemption 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 shall be processed on a proportional basis proportionate to the size of the requests.

The redemption requests in excess of ten percent (10%) of the Units of the Fund and Investment Plan(s) in issue will be carried over to the next Business Day. However, if the carried over requests and the fresh requests received on the next Subscription Day still exceeds ten percent (10%) of the Units of the Fund and such Investment Plan(s) in issue, these shall once again be treated on first-come-first-served basis and the process for generating liquidity and determining the Redemption Price shall be repeated and such procedure shall continue till such time the outstanding redemption requests come down to a level below ten percent (10%) of the Fund and such Investment Plan(s) of the Units then in issue.

19. Suspension of Fresh Issue of Units

19.1 The Management Company may, under certain circumstances, suspend issue of fresh Units of the Fund and one or more Investment Plan(s). These circumstances may include;

a) The situation referred in Clause ---- --- of this Deed;
b) A situation in which it is not possible to invest the amount received against issuance of fresh units of the Fund and such investment plan(s); or
c) Any other situation in which issuance of fresh units is, in Management Company's opinion, against the interests of the existing/remaining unit holders of such Investment Plan(s).

19.2 Such suspension may however not affect existing subscribers for the issue of bonus Units as a result of profit distribution. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue. The Management Company shall immediately notify the SECP and Trustee if issuance of Units of the Fund and Investment Plan(s) is suspended and shall also have the fact published, immediately following such decision, in the newspapers in which the Fund's prices are normally published or over website.

19.3 In case of suspension of redemption of units due to extraordinary circumstances, the issuance of Units of the Fund and Investment Plan(s) shall also be kept suspended until and unless redemption of Units is resumed.

19.4 Investment applications received on the day of suspension will not be processed and the amount received shall be returned to the investor.

20. Determination of Distributable Profits

20.1 The Management Company on behalf of the Scheme shall, for every accounting year, distribute by way of dividend to the unit holders of the Fund and/ or each Investment Plan under the Fund, not less than ninety per cent (90%) of the accounting income of the Fund and/ or respective Investment

Plan(s) of the Scheme received or derived from sources other than capital gains as reduced by such expenses as are chargeable to the Scheme under these Regulations and subject to the conditions as laid down in Income Tax Ordinance, 2001.

The Management Company may also announce interim dividend subject to requirements of Regulations, circular and directives.

20.2 Out of the amount determined for the purpose of distributable income in respect of each Holder withholding tax, Zakat or other statutory levies, as may be applicable to the relevant Holder shall be deducted before distribution for the relevant Holder.

20.3 The Management Company may decide to distribute in the interest of the Holders, wholly or in part the distributable profits in the form of a stock dividend, which would comprise bonus Units of the Fund and respective investment plan. The bonus Units would rank pari passu as to their rights in the Net Assets of the Fund and pertinent Investment Plan(s), earnings, and receipt of dividend and distribution with the existing Units from the date of issue of these bonus Units.

20.4 Before making any payment in respect of a Unit, the Trustee or the Management Company may make such deductions as may be required by law in respect of any Zakat, income or other taxes, charges or assessments whatsoever and issue to the Holder the certificate in respect of such deductions in the prescribed form or in a form approved or acquired by the concerned authorities.

21. Change of the Management Company

21.1 The SECP may, either at its own or on the recommendation of the Trustee or Unit Holders representing such percentage of the total Units in issue for the time being as may be prescribed by the Regulations, remove the Management Company in such manner and on the occurrence of such circumstances as are prescribed under the Regulations.

21.2 The Commission shall appoint another Management Company as the Management Company for the Scheme according to the provisions of this Deed and the Rules and Regulations.

21.3 The Management Company may voluntarily retire at any time with the prior written consent of the Commission and at least ninety (90) days prior notice to the Trustee and the Unit Holders.

21.4 Upon a new Management Company being appointed, the Management Company will take immediate steps to hand over all the documents and records pertaining to the Trust to the new management company and shall pay all sums due to the Trustee. The Management Company shall have the right to receive its remuneration upto the effective date of removal or retirement.

21.5 Upon its appointment the new Management Company shall exercise all the powers and enjoy all the rights and shall be subject to all duties and obligations of the Management Company hereunder as fully as though such new management company had originally been a party hereto.

21.6 Furthermore, the Trustee may immediately in case of retirement, removal or cancellation of license of Management Company appoint auditors with the consent of the Commission from the list of QCR rated auditors issued by the Commission vide Circular no. 4 of 2023, dated April 03, 2023, and in accordance with all applicable laws, regulations, and circulars, as issued, amended, or replaced from time to time. The Trustee shall ensure that accounts of the Fund till the day of the appointment of the new management company are audited by such Auditor.

21.7 The auditors so appointed shall be other than the existing auditors of the Fund, the Management Company and the Trustee.

21.8 The auditors shall have the same scope as that for the annual audit, or such other enhanced scope as may be specified by the Trustee or Commission.

21.9 The audit report for the audit shall be submitted by the auditors to the Trustee not later than thirty (30) Business Days from their appointment. A copy of the report shall also be provided to the Commission, Management Company and the new Management Company.

21.10 The costs of such audit shall be borne by the Fund and respective Investment Plan(s) on the basis of its net assets.

22. Change of Trustee

22.1 The Trustee may, subject to the prior approval of the Commission, retire from his office on appointment of a new trustee and the retirement shall take effect at the same time as the new trustee is appointed with the approval of the Commission or from the date of assumption of Trust Property of the Scheme by the newly appointed trustee, whichever is later.

22.2 In circumstances where the Commission is of the opinion that Trustee has been in violation of the Regulations or this Trust Deed or found guilty of misconduct or failed to discharge its obligations under the Regulations, it may remove the Trustee after giving an opportunity of being heard.

22.3 The Management Company may, giving cogent reasons, apply to the Commission for change of the Trustee by simultaneously proposing appointment of a new Trustee. A new Trustee shall be appointed when the Commission is satisfied with the circumstances and reasons for this change and accords approval for appointment of such a new Trustee.

22.4 Upon the appointment of a new trustee the Trustee shall immediately hand over all the documents and records to the new trustee and shall transfer all the Trust Property and any amount held in any Distribution Account to the new trustee and make payments to the new trustee of all sums due from the Trustee. The Trustee shall have the right to receive its remuneration up to the effective date of its removal or retirement.

22.5 The new trustee shall exercise all the powers and enjoy all the rights and shall be subject to all duties and obligations of the Trustee hereunder as fully as though such new trustee had originally been a party hereto.

22.6 The Management Company may immediately in case of retirement or removal of Trustee appoint auditors with the consent of the Commission from the list of QCR rated auditors issued by the Commission vide Circular no. 4 of 2023, dated April 03, 2023, and in accordance with all applicable laws, regulations, and circulars, as issued, amended, or replaced from time to time. The Management Company shall ensure that accounts of the Fund till the day of the appointment of the new trustee are audited by such Auditor.

22.7 The auditors so appointed shall be other than the existing auditors of the Fund, the Management Company and the Trustee.

22.8 The auditors shall have the scope as may be specified by the Management Company or Commission.

22.9 The audit report for the audit shall be submitted by the auditors to the Management Company not later than thirty (30) Business Days from their appointment. A copy of the report shall also be provided to the Commission, the Trustee and the new trustee.

22.10 The costs of such audit shall be borne by the Fund and respective Investment Plan(s).

23. Termination, Winding Up, Revocation and Liquidation of the Scheme/ Investment Plan

23.1 The Management Company subject to regulatory approval, may announce winding up of the Fund and / or Investment Plan(s) in the event as given in Regulations or when redemption requests build up to a level where the Management Company is of the view that the disposal of the Trust Property of the Fund and/or respective Investment Plan(s) to meet such redemptions would jeopardize the interests of the remaining Unit Holder(s) and that it would be in the best interest of all the Unit Holder(s) that the Fund and / or Investment Plan(s) be wound up.

23.2 In such an event Queue system, if already invoked, shall cease to exist and all unit holders shall be paid after selling the assets on the basis of final redemption price for the Fund and respective Investment Plan(s) being offered under this scheme.

23.3 In case AMC intends to wind up / revoke any Investment Plan independently in the best interest of the unit holder(s) while keeping the remaining Investment Plans on operative and ongoing concern, it will be considered as maturity of the plan and same modalities related to maturity of the plan as given in Regulations will be followed.

23.4 The Scheme or Investment Plan may be terminated/revoked on the grounds and as per the procedures laid down in the Rules and Regulations.

24. Distribution Manner upon Maturity & Liquidation of Scheme/ Investment Plan(s)

24.1 The Trustee itself on liquidation or on the recommendation of the Management Company when plan is matured shall, from time to time distribute to the Unit Holders pro rata to the number of units of the Fund and/ or Investment Plan(s) held by them respectively all net cash proceeds derived from the realization of the Trust Property of the Fund and/or respective Investment Plan(s) under the Scheme after repayment of the following expenses.

c) Outstanding financing obligation owed by that particular Investment Plan or Fund, as the case may be together with any unpaid markup / profit.

d) Retention of such sums as considered appropriate by the Management Company / Trustee for all costs, charges, expenses, claims and demands (if any).

24.2 The Management Company / Trustee shall however not be liable if the sale proceeds of the investments fall short of the adjustments in 25.1(a) and 25.1(b) above. However, if there is any surplus out of the sum so retained by the Management Company / Trustee, the same shall be distributed amongst the Unit Holders of the Fund / pertinent Investment Plan. Moreover, the simultaneous liquidation of all the investment plan(s) does not constitute the liquidation of the trust

25. Base Currency

The base currency of the Scheme shall be Pakistani Rupee; it being clarified, however, that the Authorized Investments may be denominated in Pakistani Rupee or (subject to applicable law) any other Foreign Currency.

26. Modification of the Trust Deed

26.1 In case the amendments are proposed in the fundamental attribute of the Constitutive Document of the Scheme including category of scheme, investment objective and policy, increase in management fee and increase in contingent load, or any other material change affecting existing unitholders, the Management Company must give prior notice to each Unit Holder about the proposed change, as specified in the Regulations and the Unit Holders shall be given an option to exit at the applicable Net Asset Value without charge of any Exit Load .

26.2 The Trustee and the Management Company acting together shall be entitled by a Supplemental Deed to modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider expedient for any purpose, subject to the prior approval of the SECP and prior notice to the Unit Holders and subject to the condition that it does not prejudice the interests of unit holders.

26.3 If, at any time, any Clause of this Trust Deed is, or becomes, in whole or in part, illegal, invalid or unenforceable under the laws of any applicable jurisdiction, neither the legality, validity and enforceability of the remaining Clauses of this Trust Deed, nor the legality, validity or enforceability of such Clause under the law of any other jurisdiction shall in any way be affected or impaired thereby.

27. Audit

The Management Company shall appoint auditor in accordance with the requirements of the Regulations and directions issued thereunder.

28. Arbitration

In the event of any disputes arising out of or in connection with this Trust Deed or the Offering Document between the Management Company on the one part and the Trustee on the other part, including as to the respective rights and obligations of the parties hereto, as well as those relating to the interpretation of the terms and conditions of this Trust Deed and the Offering Document of the Unit Trust, the same shall be referred to arbitration by two arbitrators, one to be appointed by the Management Company and the other to be appointed by the Trustee.

In the event of lack of consensus between the two arbitrators, the matter shall be referred to an umpire, to be selected by the two arbitrators before commencement of the reference. The unanimous decision of both the arbitrators, or the decision of the umpire, as the case may be, shall be final and binding upon both the parties hereto. The arbitrators and the umpire shall be selected from amongst retired judges, senior chartered accountants, or senior lawyers, or senior bankers or senior members of the Stock Exchange. The venue of the arbitration shall be Karachi or any other city in Pakistan as may be mutually agreed. The arbitration shall be conducted in accordance with the Arbitration Act, 1940.

29. Confidentiality

The Trustee and the Management Company and every director or officer of the Trustee and the Management Company who are in any way engaged in the business of the Trust and all persons employed or engaged by the Trustee or the Management Company in connection with the business of the Trust shall observe strict confidentiality in respect of all transactions of the Trust, its Holders and all matters relating thereto and shall not disclose any information or document which may come to their knowledge or possession in the discharge of their duties except when required to do so in the ordinary course of performance of their duties or by law or if compelled by any court of law or a competent authority.

30. Miscellaneous

30.1 Any notice required to be served upon the Holder shall be deemed to have been duly given if sent by post, by courier, email or any other electronic medium or left at his address as appearing in the Register. Any notice so served by post/courier/email or other electronic means shall be deemed to have been served on the day following that on which the letter containing the same is posted/sent by courier, by email or other electronic means upon receiving confirmation of receipt of such email or other electronic means and in proving such service, it shall be sufficient to prove that such letter was properly addressed, stamped (if required) and posted/sent by courier. The Management Company shall advertise any such notice in a newspaper widely published.

30.2 Service of a notice or document on any one of several joint Holders shall be deemed effective service on the other joint Holders.

30.3 Any notice or document sent by post to or left at the registered address of a Holder shall notwithstanding that such Holder be then dead or bankrupt/insolvent and whether or not the Trustee or the Management Company have notice of his death or bankruptcy be deemed to have been duly served and such service shall be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under him) in the Units concerned.

30.4 A copy of this Trust Deed and of any Supplemental Deed shall be made available for inspection at the respective Head Offices of the Trustee and the Management Company at all times during usual business hours and shall be supplied by the Management Company to any person on application at a charge of Rs.100/- (Rupees One Hundred) per copy or at such rate as determined from time to time by the Management Company.

SECTION-C

[The definitions should be as per the relevant category of scheme]

31. Definitions

Unless the context requires otherwise the following words or expressions when used in this Trust Deed shall have the meaning respectively assigned to them:

31.1 **"Accounting Date"** means the thirtieth day of June in each year and any interim date on which the financial statements of the Trust are drawn up. Provided that the Management Company may, under intimation to the Trustee after obtaining approval from the relevant competent authority may change such date to any other date and such change shall be intimated to the Commission.

31.2 **“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 next day of the preceding Accounting Period.

31.3 **“Act”** means the Companies Act 2017**.**

31.4 **“Accounting Income”** means the accounting income as defined in the Regulations.

31.5 **“Annual Accounting Period” or “Financial Year”** means the period commence on 1st July and shall end on 30th June of the succeeding calendar year.

31.6 **“Asset Management Company”** means an Asset Management Company as defined in the Regulations.

31.7 **“Auditor”** means the Auditor of the Trust appointed by the Management Company, with the consent of the Trustee, as per the Regulations.

31.8 **“Authorized Branches”** means those branches of Distributors which are allowed by the Management Company to deal in Units of the Funds and/ or Investment Plans managed by the Management Company.

31.9 **“Authorized Investments”** means: any investment which may be authorized by the Commission but does not include restricted investments as specified in the Offering Documents from time to time.

31.10 **“Back-end Load”** means charges deducted from the Net Asset Value in determining the Redemption Price; provided however that different levels of Back-end Load may be applied to different classes of units, but unitholders within a class shall be charged same level of back end load as disclosed in the Offering Document.

31.11 **“Bank”** means Bank providing banking services under the Banking Companies Ordinance, 1962, or any other regulation in force for the time being in Pakistan, or if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan.

31.12 **“Bank Accounts” means** Bank Accounts opened in Scheduled Banks.

31.13 **“Business Day”** means any day (business hours thereof as specified in the Offering Document) on which banks or stock exchange, or futures exchange are open for business in Pakistan.

31.14 **“Certificate”** means the definitive certificate acknowledging the number of Units registered in the name of the Unit Holder issued at the request of the Unit Holder pursuant to the provisions of this Trust Deed.

31.15 "Central Depository Company of Pakistan Limited" means central depository as defined under the Securities and Exchange Ordinance, 1969 (XVII of 1969).

31.16 "Constitutive Documents" means the Trust Deed or such other documents as defined in the Regulations.

31.17 "Contingent Load" means the amount payable by the Unit Holder on redemption of Units at actual basis as specified in the Offering Document. Any such amount would be treated as part of the scheme /Deposited Property. [Note: The definition only to be included in those schemes where it is to be charged]

31.18 **"Custodian"** means a Bank, a Depository or an Investment Finance Company licensed under the Regulations, which may be appointed by the Trustee with the consent of the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee; and shall also include the Trustee itself if it provides custodial services for the Fund and / or investment plans under the Fund.

31.19 **"Cut-Off Timings"** means day time for dealing in Units of the Fund and /or each Investment Plan. The Details of Cut-off Time will be prescribed in Offering Document of the Fund and / or each Investment Plan.

31.20 **"Dealing Day"** means that Business Day on which Units will be available for dealing (purchase, redemption, transfer, switching etc.). The cut-off timings for issuance, redemption, and conversion etc. of units of the Scheme and Investment Plans will be as defined in the Offering Documents on all Dealing Days. Provided that the Management Company may with the prior written consent of the Trustee and upon giving not less than seven days' notice in a widely circulated newspaper in Pakistan declare any particular Business Day not to be a Dealing Day.

31.21 **"Distribution Account"** means the Bank Account (which may be a current, saving or deposit account) maintained separately for the Fund and each Investment Plan by the Trustee with a Bank as directed by the Management Company in which the amount required for distribution of income to the Unit Holder(s) may be transferred. Income or profit, if any, including those accruing on unclaimed dividends, in this account shall be transferred to the main account of the Fund and Investment Plan(s) from time to time, as part of the Trust Property of the Fund and pertinent Investment Plan(s) for the benefit of the Unit Holder(s) of the Fund and Investment Plan(s).

31.22 **"Distributor / Distribution Company"** means a company/ firm appointed by the Management Company under intimation to the Trustee for performing any or all of the Distribution Functions and shall also include the Management Company itself, if it performs the Distribution Function.

31.23 **“Duties and Charges”** means in relation to any particular transaction or dealing all stamp and other duties, taxes, Government charges, bank charges, transfer fees, registration fees and other duties and charges in connection with the increase or decrease of the Trust Property or the creation, issue, sale, transfer, redemption or purchase of Units or the sale or purchase of Investment or in respect of the issue, transfer, cancellation or replacement of a Certificate 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 commission payable to agents on sales and redemption of Units or any commission charges or costs which may have been taken into account in ascertaining the Net Asset Value.

31.24 **“Exit Load”** means contingent load, back end load and any other charges as may be applied by Management Company.

31.25 **“Financial Institution”** carries the same meaning as defined under the Companies Act 2017.

31.26 **“Formation Cost”** means preliminary expenses relating to regulatory and registration fees of the Scheme, flotation expenses of the Scheme, expenses relating to authorization of the Scheme, execution and registration of the Constitutive Documents, legal costs, printing, circulation and publication of the Offering Document, announcements describing the Scheme and all other expenses incurred until the end of the Initial Period.

31.27 **“Force Majeure”** means any occurrence or circumstance or element which delays or prevents performance of any of the terms and conditions of this Deed or any obligations of the Management Company or the Trustee and shall include but not limited to any circumstance or element that cannot be reasonably controlled, predicted, avoided or overcome by any party hereto and which occurs after the execution of this Deed and makes the performance of the Deed in whole or in part impossible or impracticable or delays the performance, including but not limited to any situation where performance is impossible without unreasonable expenditure. Such circumstances include but are not limited to floods, fires, droughts, typhoons, earthquakes and other acts of God and other unavoidable or unpredictable elements beyond reasonable control, such as war (declared or undeclared), insurrection, civil war, acts of terrorism, accidents, strikes, riots, turmoil, civil commotion, any act or omission of a governmental authority, failure of communication system, hacking of computer system and transmissions by unscrupulous persons, closure of stock exchanges, banks or financial institutions, freezing of economic activities and other macro-economic factors, etc.

31.28 **“Front-end Load”** means the Sales Load which may be included in the Offer Price of the Units, as defined in Offering Document. *[if allowed under the respective scheme]*

31.29 **“Holder” or “Unit Holder”** means the investor for the time being entered in the Register as owner of a Unit(s) or fraction(s), thereof including investors jointly so registered pursuant to the provisions of this Trust Deed and supplemental thereto.

31.30 **“Initial Period”** means Initial Offer Period for Fund and/ or Investment Plan(s).

31.31 **“Initial Price”** means the price per Unit on the first day of the Initial Period determined by the Management Company as mentioned in the Offer Document.

31.32 **“Investment”** means any Authorized Investment forming part of the Trust Property.

31.33 **“Investment Plan(s)”** mean(s) approved Investment Plan(s) offered under the Scheme. Each Investment Plan shall invest only in permissible asset classes and/or other instruments/authorized investment as approved by the Commission. Detail of the Investment Plan(s) shall be disclosed in the Offering Document of the Scheme.

31.34 **“Investment Facilitators/Advisors/Sales Agents”** means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Fund and Investment Plan(s) under the Scheme. The Management Company shall compensate the Investment Facilitators/Sales Agents.

31.35 **“NBFC”** means a non-banking finance company which includes company licensed by the Commission to carry out any one or more forms of business as specified in clause (a) of section 282A of the Ordinance.

31.36 **“Net Assets of Investment Plan”** mean the excess of assets over liabilities of a pertinent Investment Plan being offered under the Scheme, such excess being calculated in accordance with the Regulations.

31.37 **“Net Assets of the Fund/ Scheme”**, in relation to a collective investment scheme means the excess of assets over liabilities of the collective investment scheme, computed in the manner provided in the Regulations.

31.38 **“Net Asset Value” or "NAV”** means per Unit value of the Fund and /or Investment Plan(s) arrived at by dividing the Net Assets by the number of Units outstanding. The NAV of Fund and / or each Investment Plan under the Fund shall be announced on each dealing Day as per the direction of the Commission from time to time.

31.39 **“Offer Price” or “Purchase Price”** means the sum to be paid by investor(s) for the purchase of one Unit of the Fund and Investment Plan(s) under the Scheme. Such price is to be determined in accordance with Clause --- of this Trust Deed.

31.40 **“Offering Document”** means the prospectus or other document (issued by the Management

Company with written consent of the Trustee and approved by the Commission) which contains the investments and distribution policy, unit structure and all other information in respect of the Unit Trust, as required by the Rules and Regulations and is circulated to invite offers by the public to invest in the Scheme, and includes any Supplementary Offering Document.

31.41 **“Online”** means transactions through electronic data-interchange whether real time transactions or otherwise, which may be through the internet, intranet networks and the like.

31.42 **“Open-End Scheme”** means a collective Investment Scheme which offers units for sale based on net asset value on continuous basis without specifying any duration for redemption and which entitles the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges on redemption or revocation.

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

31.44 **“Redemption Price”** means the amount to be paid to the relevant Unit Holder(s) upon redemption of that Unit, such amount to be determined pursuant to Clause --- of this Trust Deed.

31.45 **“Register”** means the Register of the Unit Holder(s) kept pursuant to the Regulations and this Trust Deed.

31.46 **“Registrar or Transfer Agent”** means a company including a Bank that the Management Company shall appoint for performing the registrar functions. The Management Company may itself perform the registrar function.

31.47 **“Registrar Functions”** means the functions with regard to:

a) maintaining the Register, including keeping a record of change of addresses/other particulars of the Unit Holder(s);
b) issuing account statements to the Unit Holder(s);
c) issuing Certificates;
d) canceling old Certificates on redemption or replacement thereof;
e) processing of applications for issue, redemption, transfer and transmission of Units, recording of pledges, liens and changes in the data with regard to the Unit Holder(s);
f) issuing and dispatching of Certificates;
g) Dispatching income distribution warrants, and bank transfer intimation and distributing bonus Units or partly both and allocating Units to Holders on re-investment of dividends; and
h) Maintaining record of lien/pledge/charge on units, transfer/switching of units, Zakat.

31.48 **“Regulations”** mean Non-Banking Finance Companies and Notified Entities Regulations, 2008 as amended from time to time, 31.49 **“Rules”** mean Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or as amended from time to time.

31.50 **“Sales Load”** includes the Front-end load deducted at the time of investment or Back-end load charged at the time of redemption from Scheme. However, the load charged upon redemption and which forms part of the Scheme property shall not classify as sales load.

31.51 **“SECP” or “Commission”** means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 and shall include its successor.

31.52 **“Stock Exchange/Securities Exchange”** means a public company that is licensed by the Commission as a security exchange under the Securities Act, 2015.

31.53 **“Supplemental Deed”** means a deed supplemental to this Deed, executed by the Management Company and the Trustee, after seeking approval of the SECP, to modify, add to, alter and amend or amend and restate the provisions of this Deed or any other Supplemental Deed in such manner and to such extent as may be considered expedient for all purposes, which shall be consolidated, read and construed together with this Deed.

31.54 **“Supplementary Offering Document”** means a document issued to modify, add to, alter and amend, amend and restate or to make any other amendment to the Offering Document in such manner and to such extent as considered expedient for all purposes by the Management Company, with the consent of the Trustee, after seeking approval of the SECP, and the same shall be consolidated, read and construed together with the Offering Document.”

31.55 **“Transaction Costs”** means the costs incurred or estimated by the Management Company to cover the costs (such as, but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust’s portfolio, inter alia, necessitated by creation or cancellation of Units or issuance or redemption of Units, which costs may be added to the NAV of the Fund and Investment Plan(s) to which the costs may be applicable for determining the Purchase (Offer) Price of such Units or to be deducted from the NAV of the Fund and said Investment Plan(s) to which the costs may be applicable in determining the redemption price.

31.56 **“Trust” or “Unit Trust” or “Fund” or “------------ Fund” or “--------” or “Scheme”** means the Unit Trust constituted by this Trust Deed for continuous offers for sale of Units of the Trust.

31.57 **“Trustee”** means a company appointed as a trustee of a notified entity as per the rules and regulations made under Part VIII A of the Ordinance.

31.58 **“Trust Deed” or “Deed”** means this trust deed executed between the Management Company and the Trustee along with all the exhibits appended hereto, , and includes any Supplemental Deed.

31.59 **“Trust Property of the Scheme/ Investment Plan”** means the aggregate proceeds of all Units of Fund and all Investment Plans issued from time to time after deducting Duties and Charges, and after deducting there from any applicable Front-end Load and includes Investment and all income, profit and other benefits arising wherefrom and all cash, bank balances and other assets and property of every description from the time being held or deemed to be held upon trust by the Trustee for the benefit of the Unit Holder(s) pursuant to this Deed but does not include any amount available for distribution in the Distribution Accounts of the Fund and Investment Plans. However, Back-end Load, Contingent Load and any profit on the Distribution Account of the Investment Plans shall also form part of the Fund Property of the Scheme. The property of each investment plan shall always be held as separate property and in no way shall the assets and liabilities of one investment plan be commingled with any other investment plan.

31.60 **“Unit”** means one undivided share in the Trust, and where the context so indicates, a fraction thereof.

31.61 **“Zakat”** has the same meaning as in Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Words and expressions used but not defined herein shall have the same meanings assigned to them in the Rules and Regulations. 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.

IN WITNESS WHEREOF THIS TRUST DEED has been executed at the date mentioned herein above.

For the Management Company: *[Pls insert the name of management company]*

(3) Signature:__________________	(4) Signature:________________
Name: ----------------------	Name: ----------------------
Designation: ---------------	Designation: ---------------
CNIC: ----------------------	CNIC: ----------------------

The Common Seal of Asset Management Limited was hereunto affixed in the presence of:

Witness:

1) Signature:________________ 2) Signature:____________________

Name: ---------------------- Name: ----------------------

CNIC: ---------------------- CNIC: ----------------------

For the Trustee: *[Pls insert the name of trustee]*

(3) Signature:______________________ (4) Signature:________________

Name: ---------------------- Name: ----------------------

Designation: --------------- Designation: ---------------

CNIC: ---------------------- CNIC: ----------------------

The Rubber Stamp/Common Seal of ----------------------------Limited. *[The Trustee]* (was hereunto affixed in the presence of: -

Witness:

1) Signature: ______________ 2) Signature:______________

Name: ---------------------- Name: ----------------------

Designation: --------------- Designation: ---------------

CNIC: ---------------------- CNIC: ----------------------

CHAPTER 18

MARKET DEVELOPMENT FUND

Mechanism for Establishment and Regulatory Requirements for Operations of the Market Development Fund [163]

18.1 SECP has prescribed the following mechanism for establishment of Market Development Fund (MDF) along with regulatory requirements for operations of the MDF by the Mutual Fund Association of Pakistan (MUFAP).

i. **Objective of the MDF –** The objective of the MDF is to enhance awareness and widen investor participation in Collective Investment Schemes (CIS) and Voluntary Pension Schemes (VPS) to:
   a. Promote investor education, awareness of the financial market, with particular focus on market development of mutual funds and pension fund industry;
   b. Encourage onboarding of new investors, especially retail and untapped and underserved segment;
   c. Promote utilization of fintech solutions and digital platforms to enhance outreach;
   d. Encourage greater participation of women, youth and low-risk appetite investors in the financial markets;
   e. Strengthen and incentivize distribution network to improve retail accessibility and expand market participation;
   f. Support training and capacity building initiatives aimed at enhancing effective distribution in industry.

ii. **Establishment of MDF –** The MDF shall be established as an earmarked fund by the MUFAP with registered trustee appointed as custodian. The custodian shall be eligible to charge an annual fee of not more than Rs. 500,000/- and any other expenses incurred in the course of its operations, on actual basis.

iii. **Governance and Management of MDF –** MUFAP shall serve as the governing body entrusted with the responsibility of overseeing the operations of the MDF, including provision of necessary secretarial support in accordance with the Terms of Reference as provided in **Annexure - A**.

iv. **Management Fee by MUFAP –** MUFAP may charge a management fee of up to one percent (1% p.a.) of the monthly average net size of the MDF, on quarterly basis, for administering and managing the affairs of MDF.

v. **Contributions to the MDF –** The Asset Management Companies (AMCs) / Pension Fund Managers (PFMs) and the registered trustees shall, on a monthly basis, contribute to the MDF with the following percentages exclusively out of their respective remuneration earned in respect of the management of the CIS/VPS under their management or trusteeship, as applicable. Such contribution shall not, directly or indirectly, be passed on to or recovered from the investors/participants of the respective CIS/VPS:

[163] SECP Circular No. 13 of 2026 dated June 30, 2026.

Entity	Contribution as a %age of Remuneration
Asset Management Companies and Pension Fund Managers	1%
Trustees remuneration from trustee and custodial services for CIS and VPS	1%
Note: The aforementioned charges shall accrue from July 1, 2026 and the amounts accrued on a monthly basis shall be duly remitted by the AMCs, PFMs, and the registered trustees into the designated bank account for the purpose of MDF within ten [10] working days of the following month.	

Provided that the Commission may, by notification, require any other Fund Management Company to contribute such amount or proportion towards the MDF as may be specified, for the development of its respective fund management segment.

vi. **Reporting and Disclosure –** AMCs, PFMs, and registered trustees shall be obligated to explicitly disclose their contribution towards MDF in their annual financial statements.

Annexure – A

Terms of Reference for Operationalization and Utilization of MDF

The Terms of Reference (TORs) for operationalization and utilization of MDF shall be established by the Board of Directors (BOD) of the MUFAP based on the following broad guidelines outlining the responsibilities for achieving the objectives of the MDF:

A. GOVERNANCE STRUCTURE

The MDF will be governed and managed by the MUFAP in accordance with the following TORs and subsequent circulars/ direction issued by the SECP, from time to time.

1. **Establishment of Sub-Committee/Working Group**
   The BOD of MUFAP for the purpose of managing operations of the MDF, may establish a Sub-Committee (SC)/Working Group (WG), comprising of its independent directors, member directors and any other industry expert/ stakeholder which the BOD may nominate or SC/WG may co-opt, as it may deem appropriate.

2. Secretarial Support

MUFAP shall provide necessary secretarial support in managing the affairs of MDF. A senior executive may act as secretary and shall be responsible for:

i. managing all the operational work (approvals, memo creation, payment processing, etc.).
ii. following the guidelines for execution of campaigns, manage media and other agencies as per the provided direction; and
iii. providing data/statistics and presentations to the management as and when required.

B. RESPONSIBILITIES OF MUFAP:

1. Setting Priorities for Fund Operationalization and Utilization

MUFAP shall set clear priorities for fund utilization, ensuring that the allocation of resources is fully aligned with the industry's needs and long-term growth objectives. This will help maintain focus on initiatives that contribute meaningfully to the development of mutual fund industry by enhancing retail penetration and increasing awareness among general public and inculcating the habit of savings and investments among masses.

The MUFAP shall;

i. Maintain a distinct earmarked account (bank, investment, etc.) for the MDF, which shall be operated separately from MUFAP's funds;
ii. Appoint a registered trustee as custodian of MDF;
iii. Set clear KPIs to track progress and effectiveness of prioritized areas as per annual plan;
iv. Collaborate with the relevant stakeholders to expand distribution network and capacity building initiatives;
v. Approve annual plan and proposals related to awareness campaigns, trainings, research and development for growth and white-label advertisements; and
vi. Develop and facilitate innovative financial market initiatives aligned with evolving industry needs and market developments.

2. Review Proposals Received

Proposals, if any, received from members, the SECP, and other stakeholders shall be carefully reviewed in light of the MDF's objectives. The same shall be evaluated on their relevance, feasibility, and potential impact before being considered for approval.

3. Approval for Annual Plan:

An annual plan will be developed to provide a structured roadmap for the upcoming year. This plan will be approved by the MUFAP Board, ensuring that all planned activities are well-coordinated, realistic, and strategically aligned with broader objectives. The said plan shall be based on following core principles:

i. The MUFAP shall undertake surveys or other forms of data collection, jurisdictional research, and analysis to assess and ascertain the prevailing landscape and demographic profile, thereby establishing the foundational groundwork for financial literacy and awareness, and other relevant campaigns together with their execution strategy;

ii. Propose and organize awareness and financial literacy campaigns tailored to demographic needs, aimed at enhancing literacy and awareness regarding mutual funds and pension funds;

iii. Coordinate with the marketing teams of AMCs along with relevant external agencies (if required) for designing and ascertaining the requisite budget for electronic, social and print media campaigns;

iv. MUFAP may engage marketing departments of AMCs for undertaking any campaign, if so required;

v. Evaluate the proposal to engage external resources/agencies (if required);

vi. Create annual budget assumptions for proposed Annual Plan; and

vii. Prescribe SOPs for termination of underperforming projects or campaigns that do not yield the intended results.

MUFAP Board shall be authorized to approve the action plan for the MDF, together with the associated budget required for its effective implementation and execution.

4. Evaluate Performance Reports on Approved Deliverables

The MUFAP Board shall evaluate performance reports on all deliverables for monitoring progress, identify gaps against each initiative and ensure accountability across all initiatives funded under the MDF.

5. Preparation of Board Approved Quarterly Reports Outlining Fund Utilization:

The MUFAP shall prepare reports on a quarterly basis including a fund utilization statement for approval of the MUFAP Board through SC/WG, providing an updated account of the deployment of funds and confirming whether such utilization is in accordance with the approved annual plan.

C. DETAIL OF ACTIVITIES FALLING UNDER MDF'S SCOPE: The following tasks shall be undertaken under the MDF program:

a. Investor Awareness Campaigns

i. Organize systematic awareness and literacy campaigns to promote the role of mutual funds and pension funds as mainstream saving and investment vehicles;

ii. Conduct targeted outreach to underserved groups such as women, youth, and rural households, develop communication tailored according to their financial needs and savings behaviour; and

iii. Partner with educational institutions, professional associations and financial institutions to hold investor education programs and webinars across the country.

b. White Label Marketing and Promotion of CISs/VPSs

i. May develop and disseminate standardized, white label promotional content (podcasts, brochures, newspaper, videos, infographics, etc.) to enhance public confidence in CISs and VPSs;

ii. Execute neutral, industry-wide campaigns that promote CIS and VPS without favouring individual AMCs or PFMs; and

iii. Utilize both, digital and traditional media, platforms for consistent nationwideinvestor communication.

c. Measures for Branding of AMCs/PFMs through MDF

i. MDF-funded campaigns/initiatives shall provide fair and equitable brand visibility to all AMCs/PFMs without any preferential treatment.; and
ii. Allocation of fund shall be based on objective and transparent criteria, ensuring no undue advantage to any AMC/PFM,

d. Financial Inclusion Initiatives

i. Launch awareness tours, roadshows, and grassroots campaigns in semi-urban and rural areas to broaden the investor base;
ii. Design tailored initiatives for first-time investors to encourage systematic savings and retirement planning;
iii. Support initiatives for financial inclusion specially women investors, highlighting low-ticket-size investment opportunities in mutual and pension funds; and
iv. Collaborate with funding agencies to promote and implement financial inclusion initiatives.

e. Capacity-Building Programs for CIS/VPS Distributors and Stakeholders

i. Organize professional certification and refresher courses/training workshops, on its own, and in collaboration with the Institute of Financial Markets of Pakistan (IFMP), other SECP recognized training institutes, other professional bodies and industry organizations, for distributors, financial advisors, and intermediaries to strengthen their capacity to provide guidance to the investors in a responsible manner; and
ii. Build industry-wide capacity in digital distribution channels, ensuring ethical sales practices and investor-centric approaches.

f. Research & Development Activities

i. Undertake surveys, jurisdictional research, and data analysis to profile investor behaviour and identify and bridge awareness gaps;
ii. Commission market studies on international best practices in retail investor penetration, literacy programs, and campaign effectiveness; and
iii. Regularly revalidate research findings to improve MDF campaign design and ensure evidence-based strategies.

g. Advocacy for Inclusion of Financial Literacy Curriculum in Educational Institutions

i. Engage with the Ministry of Education, Higher Education Commission and other relevant educational institutions to introduce financial literacy modules into schools, colleges, and universities;
ii. Develop curriculum content, case studies, and simplified investor guides for use by educational institutions, to inculcate the saving and investment habits at grassroot level; and
iii. Pilot Youth Financial Literacy Programs through educational societies and professional bodies as stepping-stones for formal curriculum inclusion.

h. Coordination with AMCs and PFMs for White Label Sessions

i. Collaborate with AMCs and PFMs to organize white label seminars, workshops, and digital sessions introducing CISs and VPSs to potential investors;
ii. Align awareness efforts with onboarding processes, ensuring investors understand the basics before account opening; and
iii. Promote the use of technology-driven investor education tools (e.g., mobile apps, webinars, onboarding videos) to standardize the investor experience.

i. Digital Outreach

i. Establish dedicated digital platforms for investor education, hosting webinars, online courses, tutorials, and simplified guidelines;
ii. Collaborate with existing platforms (such as SECP Jamapunji) to amplify reach and provide consolidated educational resources;
iii. Create and promote interactive digital content (short videos, infographics, quizzes, etc.) to engage the younger generation and digitally savvy investors; and
iv. Use social media and Finfluencer partnerships to spread white label investor awareness campaigns across wider demographics.

Note: No such awareness/promotion scheme shall be carried out which is targeted towards a particular CIS /VPS, or may be construed as a branding exercise of any particular AMC(s)/ PFM(s).

D. <u>Other Matters:</u>

1. MUFAP Board shall ensure:

   i. appointment of an external auditor for conducting annual audit of MDF. The auditor shall confirm in its report that the funds deposited with MUFAP for MDF were kept in a separate bank account and only utilized for the purpose of achieving fund's defined objectives; audit fees shall be charged to the fund.
   ii. submission of annual performance reports along with audit reports to the Commission with a copy of annual plan duly approved by the MUFAP Board within 120 days of the close of financial year;
   iii. placement of Annual report of MDF on MUFAP's website highlighting key initiatives and achievements undertaken. The MUFAP website shall also display last ten years at glance relating to investor base in the industry; and
   iv. usage of the Fund in accordance with the authorization by the MDF custodian. Any surplus fund of the MDF may be invested in the Government Securities, Money Market schemes/Income schemes or be placed as cash and cash equivalents with the Banks having a minimum of AA credit rating. Any amount earned and arising from such investments shall form part of the MDF.

2. The custodian for the MDF shall be responsible for:
   i. Monitoring fund disbursement against approved action plan;
   ii. Review and monitoring of the proper utilization of the fund and promptly notify the MUFAP Board and the Commission in the event any action taken in relation to, or on behalf of, the MDF is found to be in contravention of the approved action plan; and

iii. Review periodic financial reporting and audit reports of the MDF.

Note: Upon operationalization of the Market Development Fund (MDF), each AMC/PFMs shall continue to independently undertake investor education, awareness, outreach, and marketing activities in accordance with their existing practices and approved budgetary allocations. Furthermore, AMCs/PFMs may not solely rely on the market and awareness initiatives carried out by MUFAP from MDF or any industry level arrangements thereon.
