



Publisher: S.A. Salam Publications UK, 19 Cheetham Hill Road, Manchester, United Kingdom
Sales Offices in Pakistan: 1st Floor, Salam Chambers, 22-Link Mcleod Road., Lahore.
LAHORE: Ph: 37226953, 37223044, 0307-4695380, 0300-8408932. Email: lsr@sasalam.com.pk
KARACHI: 2nd Fl, Panorama Centre-I, Fatima Jinnah Rd. Tel: 35641410, 35437701, 0343-4870813.
ISLAMABAD: and other regions: through Lahore Tel: 042-37226953, 0300-8408932, 0307-4695380

S. A. SALAM's
**Complete Company Law
and Procedures**
Volume II - 2nd Edition
136th Update – September 15, 2026

Please find enclosed **30** updated pages so as to complete and update your copy of the Book.
Kindly insert as follows:—

Existing Pages to be removed	Updated Pages to be inserted	Existing Pages to be removed	Updated Pages to be inserted
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Yours sincerely,
Manager

Note from the Author

It gives me great pleasure to complete the 136th update of Complete Company Law and Procedures, 2nd Edition, Volume-II. This update covers:

- SRO's No. 1469(I)/2020; and
- SECP's Circular No. 12, 13, 15 & 16 of 2026.

This is briefly explained as follows:—

Part V—NBFC's

1. On page V-349, SECP's Circular Nos. 12, 13, 15, 16 of 2026 all dated June 24, 30 & July 01, 2026 have been reproduced. These are re: **Framework for ESG Mutual Fund, Mechanism for Establishment and Regulatory Requirements for Operations of the Market Development Fund, Inclusion of Lending Non-Banking Finance Companies as Participating & Relaxation Allowed for Participation in Prime Minister Apna Ghar Program to Housing Finance Companies and NBMFCs.**

Part VII—Competition

2. On page VII-100(11) onwards, Regulations 8, 9 and 10 of the CCP (Exemption) Regulations, 2020 has been amended by **SRO 1469(I)/2020** dated November 04, 2020. These are re: **Hearing, Power to grant or refuse an Exemption and Cancellation, variation of exemptions.**

Suggestions, comments etc. for improving the book and updating service will be most valuable.

Sheikh Asif Salam

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Competition Commission of Pakistan Competition (Exemption) Regulations, 2020

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E2/116-31-01-2022

*This Arrangement of Regulations is not part of the Regulations or Gazette containing these and has been prepared for convenience of readers.

COMPETITION COMMISSION OF PAKISTAN
Competition (Exemption) Regulations, 2020

S.R.O. 362(I)/2020, _____, 2020.- In exercise of the powers conferred under Section 58 of the Competition Act, 2010, the Competition Commission of Pakistan is pleased to make the following Regulations, namely:-

Competition (Exemption) Regulations, 2020

Part – I

Preliminary

1. Short title and commencement.-(1) These Regulations may be called the Competition (Exemption) Regulations, 2020.

(2) They shall come into force at once.

(3) These Regulations shall apply to all the undertakings that are party to a prohibited agreement, whether incorporated in Pakistan or not.

2. Definitions.- (1) In these Regulations, unless there is anything repugnant in the subject or context:

(a) “Act” means the Competition Act, 2010.

(b) “Applicant” means a party to a prohibited agreement who have filed an application under these Regulations.

(c) “Application” means an application for seeking exemption under these Regulations.

(d) “Authorized Representative” means and include,

(i) where the applicant is an individual, by the individual, or a person duly authorized by the individual;

(ii) where the applicant is a company or other body corporate, by any Person duly authorized by the company or other body, in accordance with its Articles of Association;

(iii) where the applicant is a partnership firm, by a partner of that firm, or a representatives duly authorized by the Partners;

(iv) where the applicant is an unincorporated association (other than a partnership), by an officer of that association or a member of its governing body or any person duly authorized by that entity.

(e) “Commission” means the Competition Commission of Pakistan established under the Act.

(f) “Complainant” means an undertaking or registered association of consumers filing such information to the Commission, which allegedly has been concealed or omitted by the Applicant(s), or reporting a material change in circumstances since the Commission granted the exemption, or reporting a violation of Chapter II of the Act.

- (g) 'Designated Officer' means the Director General concerned or in his absence, the senior most officer of the department concerned not below the rank of Joint Director.
- (h) "Document" means any matter expressed or described upon any substance by means of letters, figures or marks, or by any other means, used or intended to be used for the purpose of recording that matter.
- (2) Words and expressions used in these Regulations, but not defined herein shall have the meanings assigned in the Act or the rules and Regulations prescribed under the Act.

3. Exemptions– types of. Under these Regulations the Commission may grant following types of the exemptions:

- (a) Individual Exemptions: Agreement which attracts the provision of Section 4 of the Act may be granted individual exemption, provided the agreement meets the criteria given for exemption in Section 9 of the Act.
- (b) Template Exemptions: Vertical Agreements entered into by and between the manufacturer and supplier or distributor which attracts the provisions of Section 4 of the Act may be granted exemption in a template form, provided they meet the criteria given for exemption under Section 9 of the Act.
- (c) Block Exemptions: Agreements which fall within the particular category of agreements, which inter alia satisfies the following criteria may be considered for granting of block exemption:
 - (i). The market share of the concerned undertakings does not exceed 40%,
 - (ii). The agreement does not contain any of the hardcore restrictions,
 - (iii). The agreement does not contain non-compete clauses, and
 - (iv). The agreement:
 - (a) Improves the production or distribution channels, or
 - (b) Promotes technical or economic progress, while allowing consumers a fair share of the resulting benefit; and
 - (c) The benefits thereof clearly outweigh the adverse effect of absence or lessening of competition.

Part – II**Application & Enquiry Procedure**

4. Applications for exemption.- (1) The undertakings concerned i.e. any party to the prohibited agreement through a duly authorized representative, shall, as soon as they agree in principle vis-à-vis the agreement, shall file an application on the prescribed Form under the Schedules to these Regulations.

Provided that in case of Block Exemption, the Commission may on its own, if it is of the opinion that it is necessary in the public interest, may issue the Block Exemptions to any category of agreement(s).

(2) Unless, the information or document is necessary for the examination of the application, the Commission may, by giving notice to the Applicant(s), dispense with the obligation to submit any particular information or document, as required in the prescribed Forms under these Regulations.

(3) Every application shall be submitted in triplicate, and shall be recorded in the public register in such manner as the Commission may deem appropriate.

(4) No Application under sub-regulation (1) shall be deemed to have been made or shall be entertained unless it is accompanied by a processing fee at the rates prescribed in Schedule II of these Regulations.

5. Power to call for information.- The Commission or the Designated Officer, as the case may be, subject to the provisions of Section 33 or Section 36 of the Act, may call for any information from the Applicant(s) for the purposes of considering the Application.

6. Power to commence enquiry.- (1). Where the Commission receives an application made under regulation 4 above, the Commission may proceed to decide the matter on the basis of the record made available or it may decide to commence an enquiry in accordance with these Regulations.

(2). Any third party may file a complaint with the Commission alleging violation of the provisions of Sections 4(1) of the Act read with Sections 5 to 9 thereof or alleging material change since issuance of exemption or alleging that certain information has been withheld or concealed from the Commission or false statements have been made to the Commission in the Application.

Provided that no Complaint under Regulation 6(2) above shall be entertained unless it is accompanied with the fee as prescribed under Schedule II of these Regulations and duly supported with prima facie evidence to substantiate the allegations made thereunder.

(3). The Designated Officer, upon receipt of the Complaint for the purposes of these Regulations, may carry out the assessment thereof, in accordance with Section 37(2) of the Act, inter alia:

- (a). The Complaint is filed by the Undertaking or Registered Association of Consumers, and
- (b). The Complaint is not frivolous and is substantiated with prima facie evidence in support of the allegations made thereunder.

(4). The Designated Officer, upon completion of the assessment as provided in sub-regulation (3), may initiate a formal enquiry on the complaint.

(5). The Designated Officer, may use the powers under Section 33 or Section 36 of the Act, during the enquiry to collect information and for the purposes of conducting and concluding the enquiry.

(6). The Commission, or Designated Officer, during the enquiry or proceedings, may issue a notice to the Applicants or any other person, through registered post or courier:

- (a) On the last known address of the person; or
- (b) By facsimile or, with the consent of that person, by electronic mail; or
- (c) In case of a company or a body corporate at the last known registered address.

(7). Where the Commission or the Designated Officer has taken all reasonable steps to give notice to the person but has been unable to give such notice, it shall publish the same in at least one national daily newspaper circulated:

- (a) In case of an undertaking being a company or body corporate, in the province where the registered office is situated;
- (b) In any other case, in the province where the notice has been served under sub-regulation (6) above.

(8). Where these Regulations allow or require notice to be given to a person, such notice shall be treated as if it had been received by or served on that person-

- (a) In the case of personal delivery, on the day of delivery;
- (b) When left at the last known address, on the day of leaving;
- (c) When sent by courier, on the working day after the day on which it was couriered; or
- (d) In the case of a facsimile transmitted on a working day before 5 p.m., on that day or in any other case on the working day after the day on which it is transmitted.

(9). Where sub-regulation (7) applies, the notice shall be treated as having been given on the date of its publication.

(10). any notice given under these Regulations shall be in writing and shall inter alia state-

- (a) the facts on which the Commission or Designated Officer relies, the objections or questions; the response whereof is required by the Commission or the Designated Officer, the actions proposed and the reasons for the proposed action: and
- (b) The period within which a relevant person may make written representations to the Commission or the Designated Officer, provided, however, such period shall not exceed a period of 30 days.

(11). Where, in written representation on the matters referred to in a notice given to a relevant person, that relevant person requests to make oral representations to the Commission or the Designated Person on such matters, the relevant person may be given a reasonable opportunity to make such oral representations.

Provided that where the Commission or Designated Officer has given the relevant person a reasonable opportunity to make oral representation under sub-regulation (11) above but no oral representations have been made within the prescribed time, the Commission may proceed with the case in the absence of such representations.

(12). Whereupon conclusion of the enquiry, the Commission proposes to make a decision that any of the provisions of the Act and the rules, regulations, orders or directions made or issued thereunder have been infringed, the Commission shall provide an opportunity of hearing to the undertaking(s) concerned and proceed accordingly.

(13). A party to any enquiry or proceedings under these regulation with reference to Section(s) 5 to 9 of the Act, before the Commission may on an application made in that behalf be allowed to inspect or obtain copies of the documents or records submitted during enquiry or proceedings on payment of fee as prescribed under Schedule II to these Regulations; provided that, an inspection shall be allowed only in the presence of an officer(s) so authorized by the Member concerned.

7. Burden of proof.- (1) The Applicant desirous of obtaining an exemption under these Regulations shall bear the burden of proving that the agreement substantially contributes to:

- (a). improving production or distribution; or
- (b). promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit; and
- (c). the benefits of that clearly outweigh the adverse effect of absence or lessening of competition.

8. Hearings.- ¹[(1) The Commission may, before passing an order with respect to Block Exemption, provide the concerned undertakings an opportunity of being heard.]

(2). If the concerned undertaking does not appear personally or through its attorney or counsel, on the date of hearing in spite of notice, ex-parte decision shall be taken on the basis of facts of the case placed on record before the Commission.

(3). The hearings before the Commission shall normally be in private. But in exceptional circumstances and that too after having the views of the parties to the case, decide to conduct hearings in public.

(4). In case of Block Exemption, before issuing the Order, the Commission shall notify the proposed order by publishing it in one English and one Urdu national daily newspaper, with a summary thereof, stating:

¹Substituted for "The Commission may, before passing any Order with respect to the Application for Individual or Template Exemption and shall before passing an Order with respect to Block Exemption, provide the concerned undertakings an opportunity of being heard." by SRO 1469(I)/2020 dated November 04, 2020.

- (a). brief facts;
- (b). grounds for grant or refusal of exemption; or
- (c). conditions, if any, to which the exemption shall be subject to; and
- (d). the period for which such exemption is valid.

Part – III

Cancellations, Directions, Orders and Compliance

9. Power to grant or refuse an Exemption.- The Commission may ¹[], subject to the provisions of Regulation 7 above read with Section 9 of the Act, may grant an exemption with or without conditions or refuse to grant an exemption under these Regulations, if-

- (a) the application is not made in accordance with these Regulations;
- (b) in the opinion of the Commission, burden of proof as required under Regulation 7 read with Section 9 of the Act is not discharged
- (c) the Commission has reasonable grounds for suspecting that any information submitted to it under these Regulations is incomplete, false or misleading or omits to state any material information;
- (d) the Commission's direction for any information is not complied with; or
- (e) the Commission has reasonable grounds to believe that there has been a material change in any information submitted to the Commission under these Regulations and such change has not been notified to the Commission.

10. Cancellation, variation of exemptions.- (1). Where, either on its own or upon a complaint being filed, the Commission has reasonable grounds for believing that:

Provided that no complaint under Regulations 10 (1) read with Section 6 of the Act shall be entertained unless it is accompanied with the fees as prescribed under Schedule II to these Regulations.

- (a). there has been a material change of circumstances since the Commission granted an exemption, or
- (b). the information on the basis of which an exemption was granted was incomplete, false or misleading, or
- (c). the conditions imposed by the Commission has not been complied, despite sufficient notice.

(2). ²[The Commission may, by notice in writing proceed in accordance with sub-sections (1), (2) or (3) of Section 6 of the Act in relation to cancellation of individual and template exemptions and in terms of sub-section (3) of Section 7 of the Act for cancellation of block exemptions.]

(3). Prior to cancellation of the individual, template or block exemption granted by the Commission, the Commission shall comply with the notice and hearing requirements as provided in Regulation 8.

¹Words "by Order" omitted by SRO 1469(I)/2020 dated November 04, 2020.

²Substituted for "The Commission may, by notice in writing proceed in accordance with Regulation 6 and pass an order in terms of sub-sections (1), (2) or (3) of Section 6 of the Act for individual, template or block exemption and in terms of sub-section (3) of the Act for block exemption." by SRO 1469(I)/2020 dated November 04, 2020.

11. Interim measures.- Subject to the provisions of Section 32 of the Act, the Commission may pass an interim order for the reasons to be recorded thereto.

12. Directions in relation to agreements.- The Commission may give such directions as it may consider appropriate in the circumstances.

13. Enforcement of Directions.- (1) if an undertaking fails, without reasonable cause, to comply with a direction issued under Regulation 12, the Commission may-

- (a) require such undertaking to make good its default within the period specified in this behalf; or
- (b) cancel the exemption in respect of the agreement;
- (c) proceed to impose the penalty in accordance with Section 38 of the Act; or
- (d) initiate proceedings in a court of competent jurisdiction for non-compliance.

14. Compliance.- In order to ensure compliance with any condition(s) imposed and the directions issued, by the Commission while granting exemption, the concerned undertaking may be required to provide to the Commission a monthly compliance statement. In addition, the Commission may require further information or a further statement of compliance to be provided to it on periodical basis.

15. Confidentiality.- Upon request by the Applicant, the Commission may endeavor, to the extent that if consistent with its obligations under the Act to disclose or exchange information, to keep any documents submitted by the Applicant, confidential until such time as deemed appropriate by the Commission.

16. Issuance of guidelines.- (1) The Commission may issue from time to time guidelines in respect of the exemption frame work.

(2). The guidelines shall be illustrative and not exhaustive and shall not set a limit on the investigation and enforcement powers of the Commission.

(3). The guidelines shall not be a substitute for the Act, the rules, Regulations and orders.

17. Overriding effect.- These Regulations shall have effect in all matters relating to exemptions, notwithstanding anything inconsistent therewith contained in any other Regulations framed under the Act.

18. Repeal.- On coming into force of these Regulations, the Competition (Exemption) Regulations, 2014 shall stand repealed.

SCHEDULE*[See regulation 4***FORM A****PART-1****1. Information about the applicant(s) and other parties to the agreement:**

- 1.1. Please give the full name, address (registered office, where appropriate, and principal place of business, if different), telephone and fax numbers and e-mail address (where available) of the Applicant(s) and a brief description of the nature of its business. If the applicant(s) is a partnership, sole proprietor or other unincorporated body trading under a business name, give the name(s) and address (es) of the partners or proprietor(s). In case the address of the applicant changes, the same shall be intimated in a prompt manner to the Commission.
- 1.2. Please give the full name, address, telephone and fax numbers and e-mail address (where available) of any representative(s) who has been authorised to act for the applicant(s), indicating whom they represent and in what capacity (e.g. an advocate). In case the authorized representative is changed by the applicant, the same shall be informed to the Commission and the details of the new authorized representative shall be provided to the Commission.
- 1.3. Where the declaration to be made in the form set out in Part 2 is signed by an advocate or other representative of the applicant(s), please provide written proof of that representative's authority to act on behalf of the applicant(s).
- 1.4. If a joint application is being submitted, state the full name of the joint representative, his address (by registered office, where appropriate, and principal place of business, if different), telephone and fax numbers and e-mail address (where available). Where the joint applicants have appointed separate representatives, the particulars listed in this paragraph must then be furnished for each representative.
- 1.5. Please identify the groups to which each party to the agreement or conduct which is the subject of the application belongs. For the purposes of the information required by this Form, a group relationship exists where one undertaking:
 - 1.5.1. Owns more than half the capital or business assets of another undertaking;
 - 1.5.2 has the power to exercise more than half the voting rights in another undertaking;
 - 1.5.3. has the power to appoint more than half the members of the supervisory board, board of directors or bodies legally representing the undertaking; or

1.5.4. has the right to manage the affairs of another undertaking.

- 1.6. An undertaking which is jointly controlled by several other undertakings (e.g. a joint venture) should be treated for the purpose of this application as being part of the group of each of these undertakings.
- 1.7. Please inform the Commission if any of the applicant(s) is party to a merger, which is subject to review by the Commission, along with documentary proof of the subject merger or the clearance by the Commission thereof.

2. Purpose of the Application

Please specify that the application is being made to seek exemption, for an Agreement as provided in Section 4 of the Act, explain how:

- (a). The agreement contributes to improving production or distribution; or
- (b). It contributes to promoting technical or economic progress, and how consumers will be allowed a fair share of the resulting benefit, and
- (c). Each restriction imposed under the agreement is indispensable to the attainment of those objectives, and
- (d). The benefit of the that clearly outweigh the adverse effect of absence or lessening of competition.

3. Details of the Agreement or Conduct

- 3.1. Please provide a brief description of the agreement or conduct which is the subject of the application (including the nature, content, purpose, date(s) and duration).
- 3.2. Please provide the date of execution of the agreement and the duration of such agreement.
- 3.3. If the application is made in relation to a written agreement, attach either an original of the most recent text of that agreement, or a copy certified by the applicant to be a true copy of the original. If the application is made in relation to an agreement which is not written, applicants are to provide a full description of the agreement. If the application is made in relation to conduct, provide a full description of that conduct.
- 3.4. Identify any provisions in the agreement or aspects of the conduct which may restrict the parties in their freedom to take independent commercial decisions or to act on those decisions.
- 3.5. If the application relates to standard form terms and conditions, indicate the number of agreements expected to be entered into on those terms and conditions.

4. Information on the Parties to the Agreement or Conduct and the Groups to which they belong

- 4.1. Please give the applicable turnover in the last financial year, of each party to the agreement or conduct which is the subject of the application and the consolidated applicable turnover for the group (within the meaning of 1.5) to which each party belongs. Please also indicate what proportion of the turnover figures are attributable to the relevant product or geographic market. Please attach the most recent annual report and accounts (or equivalent for unincorporated bodies) for each party to the agreement or conduct and the most recent annual report and accounts for the ultimate parent company of these undertakings.
- 4.2. Please list the product and/or services market(s) in which each party to the agreement or conduct and each member of the groups (within the meaning of 1.5) to which they belong are active. Where there are a large number of products and services, please pay particular attention to any markets in which the combined undertakings have significant markets shares, and/or the largest proportions of the turnover.

5. Other Information

- 5.1. Please provide any other information which the applicant(s) considers may be helpful. In particular, if you believe that an agreement:
 - 5.1.1. does not have an appreciable adverse effect on competition in Pakistan please state your reasons and provide evidence. However, certain agreements, such as those relating to price-fixing, will be regarded as having an appreciable adverse effect to the competition in the relevant market;
 - 5.1.2. has net economic benefits that would not be achieved except for the agreement. In determining whether a net economic benefit exists, the Commission will consider whether the agreement contributes to improving production or distribution or promoting technical or economic progress in a way which does not impose restrictions which are not indispensable to the attainment of those objectives and which would not afford the possibility of preventing, restricting or reducing the competition substantially. Applicants should provide details of any studies or documents which have been produced to assess the feasibility of operation of the agreement and the benefits likely to result from the agreement.
- 5.2. Please specify the fee is being paid for this application and attach an evidence of the payment.

6. Supporting Documents

Please ensure that the applicant(s) has attached the following documents (where relevant) to the application:

- 6.1. if 1.3 of this form applies, written proof of the representative's authority to act on the applicant(s)' behalf;

- 6.2. if 3.2 of this form applies with regard to a written agreement, either an original or certified true copy, of the most recent version of the text of the agreement which is the subject of the application; and
- 6.3. the most recent annual report and accounts (or equivalent for unincorporated bodies) for each party to the agreement or conduct and the most recent annual report and accounts for the ultimate parent company of these undertakings (see 4.1 of this form).

7. Application Processing

Please ensure that all the information/documents mentioned in Regulation 6 above are provided to the Commission as only once all the requisite information/documents are received by the Commission, the application for exemption shall be processed.

PART 2

Under section 38 (1) (c) and (d), it is an offence, to provide information which is false or misleading in a material particular if the person providing it knows that it is false or misleading. The undertaking providing false and misleading information may be guilty of an offence under section 38 (1) (c) and (d) of the Act.

DECLARATION

The undersigned declare and confirm, on Oath, that all information given in the Form A and all pages annexed hereto are correct to the best of their knowledge and belief, and nothing has been concealed or withheld from the Commission, and that all estimates are identified as such and are their best estimates based on the underlying facts.

Signature(s)

Name(s) (in block capitals):

Designation(s):

Date:

Commissioner for Takings Affidavit on Oath

Schedule II

(Section 20(2) (b) read with Regulations)

Sr. No.	Description of Fee	Fee in Rupees
01.	For an application of Individual Exemption	Rs.400,000/-
02.	For an application of Template Exemption	Rs.1,000,000/-
03.	For an application of Block Exemption	Rs.2,250,000/-
04.	For an application for extension of Individual Exemption	Rs.200,000/-
05.	For an application for extension of Template Exemption	Rs.500,000/-
06.	For an application for extension of Block Exemption	Rs.1,200,000/-
07.	For a complaint under Regulation 6(2) of these Regulations	Rs.50,000/-
08.	For a complaint under Regulation 10(1) read with Section 6 of the Competition Act, 2010	Rs.50,000/-
09.	For inspection of Record of any Exemption Case decided or under consideration under Regulation 6(13) of these Regulations	Rs.25,000/-

Miscellaneous Circulars, Etc.

Anti-money laundering initiative.— Following is the text of SECP Circular No. 6 of 2003 dated February 21, 2003 and the checklist attached thereto:—

“The Securities and Exchange Commission of Pakistan has set up an Anti-Money Laundering Unit to combat the money laundering practices in the corporate sector. In this connection, in pursuance of powers given under Section 282D of the Companies Ordinance, 1984, the Commission hereby directs all Non-Bank Financial Institutions to take the following measures.

- (i) All Non-Bank Financial Institutions shall accept deposits from an investor only after ensuring that an account has been opened in the investor’s name using an account opening form, which will be developed by the respective industry associations in consultation with the Commission.
- (ii) Every payment or receipt exceeding Rs. 50,000/- shall be made through crossed cheque effective July 1, 2003.”

Rule 12 – Permission for issuance of CDIs.—Following is the text of SECP’s Circular No. 14, Ref. SC/NBFC-ED/536/2003, dated June 11, 2003

“Attention is invited to Rule 12 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the “NBFC Rules”) which permits non-banking finance companies (NBFCs) to raise deposits in the form of certificates of investment (COIs) or certificates of deposit (CODs) subject to the fulfillment of certain conditions as laid down in the said NBFC Rules.

In this connection, it is clarified that the NBFCs carrying out investment finance services and which hold a valid permission granted under SRO. 585(1)/87 dated July 13, 1987 issued under Capital Issue (Continuance of Control) Act, 1947 to raise deposits are not required to obtain any fresh permission in terms of Rule 12(1) of the NBFC Rules for issuance of CODs/COIs. Similarly, the NBFCs carrying out the business of leasing or housing finance and which hold a valid permission to raise deposits in terms of the Leasing Companies (Establishment and Regulation) Rules, 2000 or SRO. 1356(1)/90 dated 24th December, 1990 are not required to obtain a fresh permission in terms of Rule 12(1) of the NBFC Rules to raise deposits. The permission already granted would be deemed valid for issuance of CODs/COIs. However, all the conditions laid down in Rule 12 of the NBFC Rules are applicable to the NBFCs raising deposits in the form of COIs/CODs. Therefore, in terms of Rule 12(2) of the NBFC Rules, all such NBFCs permitted/ authorized to raise deposit through issuance of COIs/CODs are hereby required to ensure compliance with Rule 12(1)(c) of the NBFC Rules. The afore-said NBFCs are also advised to furnish their latest available credit rating to this office.”

Rules 14–Investment finance services, compliance of IAS 39 and 40.—Following is the text of SEPC’s Circular No. 19, Ref. No. SECP/ICAP/ EM/34/2003/474, dated August 13, 2003.

“Practical difficulties being faced by NBFCs in giving effect to the requirements of IAS 39 and IAS 40 in terms of rule 7 of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), as reported by Investment Banks Association of Pakistan and certain NBFCs, have been appreciated by the Securities and Exchange Commission of Pakistan (the Commission). Therefore, by virtue of powers conferred by rule 84 of NBFC Rules, the Commission has decided to grant relaxation to the NBFCs providing Investment Finance Services, Discounting Services and Housing Finance Services from the application of IAS 39 and IAS 40, with the direction that such companies shall continue observing the State Bank of Pakistan’s BSD Circular Letter No.11 dated September 11, 2002 regarding the application of said IASs, till further decision.”

Rule 7– Conditions for NBFCs, IAS-30.—Following is the text of SECP Circular No. 22, dated September 11, 2003:—

“The investment banks, modarabas (other than trading modarabas) and leasing companies were advised by the Commission vide SRO 245(I)/2002 dated May 3, 2002 to follow the requirements of International Accounting Standard (IAS) 30 “Disclosures in the financial statements of banks and similar financial institutions” with regard to their accounts and preparation of their financial statements.

2. It is clarified that in terms of section 234(3) of the Companies Ordinance, 1984 (the Ordinance), applicability of the provisions contained in any IAS is subject to the provisions of the Ordinance. Accordingly, the investment banks, modarabas (other than trading modarabas) and leasing companies are required to prepare their financial statements in accordance with the requirements of IAS 30, insofar as these requirements are not inconsistent with the requirements of the Ordinance, including the Fourth Schedule, and in case of any conflict or inconsistency, the requirements of the Ordinance, including the Fourth Schedule, shall prevail over the requirements contained in IAS 30.”

Also see footnotes to **Rules 13 and 14** for conditions applicable to leasing companies and investment finance companies.

Vehicles and consumer goods on lease/loan to employees.—Following is the text of SECP Circular No. 24, dated October 08, 2003:—

“Attention is invited to Rule 7(2)(b) of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 which stipulates:

“A NBFC shall not purchase anything from, or sell anything to any director, officer, employee of NBFC or from or to a person who either individually or in concert with close relatives beneficially owns ten percent or more either of the equity or other securities with voting rights, if any, issued by such NBFC without the prior approval in writing of the Commission.”

2. In view of the above-mentioned rule, it has been observed that despite having well defined policies, companies face practical difficulties while providing vehicles and consumer goods on lease/loan basis to their employees as prior approval of the Securities & Exchange Commission of Pakistan in each such case is required.

3. Therefore, it is hereby clarified that prior approval of the Commission in respect of assets offered on lease/loan basis to employees (excluding Chief Executive Officer and Directors) is not required by NBFCs provided the service manuals of the concerned companies permit grant of such leases/loans. The leases/loans to CEO and directors shall, however, require approval from the Board of Directors and the Commission prior to the grant of such facilities.”

Use of the word “Bank”.—Following is the text of SECP’s Circular No. 25, dated October 07, 2003:—

“Attention is invited to section 8 of the Banking Companies Ordinance, 1962, under which no company other than a banking company is allowed to use the word “bank”, or any of its derivatives as part of its name or any word calculated to indicate that it is a banking company. It has been observed that promoters/sponsors of few companies, particularly the NBFCs are desirous to adopt the word ‘bank’ as part of the companies name and they approach to the Registrar of Companies for clearance without seeking prior approval from the State Bank of Pakistan.

All CROs are, therefore, directed not to allow the word “bank” or any of its derivatives as a part of company’s name unless prior approval of the State Bank of Pakistan is produced as required under section 8 of the Banking Companies Ordinance, 1962.”

Rules of business, returns and statements.—Following is the text of SEPC’s Circular No. 18, dated July 31, 2003:—

“As you are aware that pursuant to the amendments in the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, all the existing NBFIs with the exception of Modarabas and Development Financial Institutions (DFIs) have been re-classified as Non-Banking Finance Companies (NBFCs) and are being regulated by the Securities and Exchange Commission of Pakistan with effect from November 15, 2002. Prior to the said re-classification of NBFIs, operating activities of investment finance companies, venture capital companies, housing finance companies, discount houses, National Investment Trust (NIT) and Investment Corporation of Pakistan (ICP) were being regulated by the State Bank of Pakistan (SBP).

As SEC is in the process of finalizing the Rules of business and periodic statements for NBFCs to monitor their business activities, it is hereby clarified that the Rules of business for NBFIs alongwith all circulars/directions/clarifications pertaining to the said Rules, issued by SBP for investment banks, housing finance companies, discount houses, venture capital companies, NIT and ICP shall continue to apply to NIT, ICP and the NBFCs engaged in any one or more of the following forms of business till the issuance of further instructions by SEC:

- (i) investment finance services;
- (ii) housing finance services;
- (iii) venture capital investment; and
- (iv) discounting services.

Furthermore, it is clarified that the NBFCs carrying out leasing are required to submit all the information, returns and statements etc. to SEC in the same manner and format as previously prescribed by SEC vide its Circular No. 21/2000 dated 26th December, 2000, issued in terms of Rule 19 of Leasing Companies (Establishment and Regulation) Rules, 2000.”

Non-repeal of some existing rules.— Following is the text of letter No. SAS/SECP/130 dated May 21, 2003 from M/s S.A. Salam & Co., CAs addressed to SECP:—

“Please refer to NBFC Rules, 2003 which inter alia repeal some existing rules. In this connection it is respectfully submitted that the Credit Rating Companies Rules, 1995 do not appear to have been repealed or superseded expressly though the same subject matter has been dealt with in the NBFC Rules, 2003. This omission is likely to cause confusion.

It is, therefore, requested that the needful may please be done at an early date.”

Prior publication of draft.— Following is the text of letter No. SAS/SECP/131 dated May 21, 2003 from M/s S.A. Salam & Co., CAs addressed to SECP:—

“Please refer to Notification No. SRO 310(I)/2003 dated April 01, 2003 whereby the Federal Government has made Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. In this connection, it is respectfully submitted that it appears that the rules have been made without the exercise of publishing a draft “for eliciting public opinion thereon”.

In our opinion, the power to make rules for NBFCs u/s 282B is similar to the powers under various other sections and is equally subject to the controlling section 506 of the Companies Ordinance, 1984, which requires prior publication of draft rules for eliciting public opinion.

We therefore, seek your kind clarification.”

Checklist for appointment of directors.— Following is the text of SECP Circular No. 8 of 2003 dated February 28, 2003 and the checklist attached thereto:—

“All Non-Banking Finance Companies are hereby advised to ensure that the enclosed checklist is duly filled in at the time of seeking the Commission's approval for appointment of directors and submitted to the Commission along with other required documents.

CHECKLIST FOR APPOINTMENT OF DIRECTOR

NOTE:

The proposed directors shall, at the time of filing their consent to act as such, give a declaration that they are aware of their duties and powers under the relevant laws, the company's Memorandum and Articles of Association and the listing regulations of the stock exchanges in Pakistan.

The prescribed checklist needs to be filled by the Company Secretary or the Chief Executive and submitted to the Commission along with the other requisite documents at the time of seeking approval for appointment of director(s).

PLEASE TICK AS APPROPRIATE

1) Nature of Directorship		
Executive		
Non-Executive		
2) Eligibility Criteria	YES	NO
Not serving on the Boards of ten other listed companies (attach list of other directorships)		
National Tax Payer (in case of residents only)		
Not been convicted by court of competent jurisdiction as a defaulter.		
Not a member in default of any of the stock exchanges in Pakistan.		
Clean C.I.B report regarding position of over due loans and defaults in individual capacity		
Clean C.I.B report regarding position of over due loans and defaults of companies/firms where the proposed director holds directorship.		
Himself or spouse not involved in business of stock brokerage.		
3) Composition of the Board after Induction of the Proposed Director		
Number of Executive Directors	(Please Enumerate)	
Number of Non-executive Directors	(Please Enumerate)	
Independent Nominee Directors as defined in Clause (i)(b) of the Code of Corporate Governance. (if any)		
Directors representing minority interest (if any)		
Composition of the Board of Directors is in compliance with Clause (i) sub-clause (c) of the Code of Corporate Governance. (Executive Directors are not more than 75% of the elected directors including the Chief Executive)		
Number of Non-executive Directors on the Board is sufficient for constitution of Audit Committee compliant with Clause (xxx) of the Code of Corporate Governance		
Specify the percentage of directors on the Board who are from the same family, including spouse, lineal ascendants and descendants, and brothers and sisters	(Please Enumerate)	
4) Tenure of Office of Directors		
Director being elected for a period of three years		
Casual Vacancy being filled within 30 days (if applicable)		
5) Other Information		
Regulatory action, if any, taken by the Commission against the proposed		

director in his capacity as director/officer of a company		
Nature of offence		
Nature of regulatory action taken by the Commission		
Amount of fine/penalty (if imposed)		
Fine/penalty deposited		

I resident of being the Company Secretary/ Chief Executive of certify that the information above is true to the best of my knowledge and belief and that nothing has been concealed or withheld in this regard.

Signature

Name (in block letters)

NIC number

Rules 13-Prudential Regulations for NBFCs.—Following is the text of SECP's Circular No. 2, dated January 21, 2004:—

“The Securities and Exchange Commission of Pakistan (SEC), in exercise of powers conferred by section 282D of the Companies Ordinance, 1984 (the “Ordinance”) hereby directs all Non-Banking Finance Companies (NBFCs) undertaking the business of Investment Finance Services, Leasing, Housing Finance Services, Venture Capital Investment, Discounting Services, Investment Advisory Services and Asset Management Services to conduct their businesses in conformity with the directions/regulations enclosed herewith as Prudential Regulations for NBFCs (the “Regulations”). These Regulations shall be effective from January 21, 2004.

The Regulations were necessitated pursuant to the amendments in the Ordinance, whereby all the existing NBFIs with the exception of Modarabas and Development Financial Institutions (DFIs) have been re-classified as NBFCs and are being regulated by SEC w.e.f. November 15, 2002. The objective behind the issuance of these Regulations is to introduce a uniform set of Regulations for all NBFCs in order to improve their effective risk management capabilities and to promote corporate governance in the non-bank financial sector.

These Regulations are being issued in supercession of SEC's Circular No. 15 of 2002 dated 2-12-2002, Circular No. 18 of 2003 dated 31-7-2003 and Circular No. 21 of 2003 dated 25-8-2003, regarding Prudential Regulations. However, it is clarified that the NBFCs, House Building Finance Corporation (HBFC) and Investment Corporation of Pakistan (ICP) shall continue to submit all the information, returns and statements etc. to SEC and Credit Information Bureau (CIB) of State Bank of Pakistan in the same manner and format as previously prescribed.

NBFCs are advised to ensure circulation of Regulations among all their officers/branches for meticulous compliance in letter and spirit. Any violations or circumvention of these Regulations shall be dealt with under the provisions of the Ordinance.

The new set of Regulations has also been placed on SEC Website www.secp.gov.pk for information of the concerned quarters and general public.

Please acknowledge receipt.

Loan to advance to employees.—Following is the text of SECP Circular No. 9, of 2004, dated February 13, 2004:—

“Attention is invited to Rule 7(2)(d) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), which stipulates that;

“A NBFC shall not make a loan or advance money to any person except in connection with the ordinary course of business of the NBFC.”

It has been observed that NBFCs are facing practical difficulties, despite having well defined policies and procedures, in providing loans /advances to their employees as the above said Rule restricts them to do so.

In order to remove such difficulties, it is hereby clarified that the provisions of Rule 7(2) (d) of the NBFC Rules do not apply to a loan or advance money by a company to its employees, if granted under an approved policy of the company.”

Reporting of suspicious transactions to NAB.—Following is the text of SECP Circular No. 11, of 2004, dated February 18, 2004:—

“Enclosed please find a copy of letter dated 29-1-2004 received from the National Accountability Bureau (NAB) requiring all Non-Banking Finance Companies (including Modarabas) to comply with the provisions of Section 20 of the National Accountability Ordinance, 1999. The contents of the said section have been reproduced in the above quoted letter of NAB, for ready reference.

You are, therefore, directed to ensure compliance of Section 20 of the National Accountability Ordinance, 1999, in letter and spirit.

Please acknowledge receipt.”

The above referred letter from NAB, No. 86/1/Bank-S-B6/NAB, dated January 29, 2004, read as follows:—

“I am directed to draw your kind attention to Section 20 of NA Ordinance, 1999, which requires all banks and financial institutions to report suspicious financial transactions to NAB. As a reminder the Section states as under:—

“Section 20. **Reporting of suspicious financial transactions.**

- (a) Notwithstanding anything contained in any law for the time being in force, it shall be the duty of all banks and financial institutions to take prompt and immediate notice of all unusual or large transactions in an account which have no apparently genuine economic or lawful purpose and upon *bona fide* professional judgement of the Bank or financial institution that such transactions could constitute or be related to an offence under this Ordinance, the manager or director of such Bank or financial institution shall report all such transactions to the Chairman NAB forthwith by the quickest possible mode of communication to be confirmed in writing.
- (b) Whosoever fails to supply the information in accordance with sub-section (a) shall be punishable with rigorous imprisonment which may extend to 5 years, and with fine.”

2. It is noteworthy that since the promulgation of NA Ordinance 1999, no suspicious transactions have been reported by the banks/NBFCs to the bureau, you are therefore requested to instruct the banks/NBFCs to comply with the foregoing law & consequences of non-compliance accordingly.”

Old ID cards of customers to be accepted.—Following is the text of SECP Circular No. 15 of 2004, dated April 2, 2004:—

“In order to facilitate the clients/customers of Non-Banking Finance Companies (NBFCs) it has been decided that in cases where the depositors/borrowers have not yet obtained Computerized National Identity Card (CNIC) for opening of accounts/extension of financing the NBFCs may obtain attested copies of old NIC and receipt of National Database and Registration Authority (NADRA) (evidencing that client has applied for CNIC) along with an undertaking in writing that a copy of CNIC will be submitted immediately on receipt.”

Change of credit rating company.—Following is the text of SECP Circular No. 20 of 2004, dated April 14, 2004:—

It has been noticed by the Commission that credit rating companies, at times, accept assignments from clients which had previously engaged another credit rating company but terminated the contract prematurely.

2. This being an unhealthy practice, the Commission in exercise of the powers conferred by Rule 7 of the Credit Rating Companies Rules, 1995 is pleased to direct in the interest of capital market and the public that while entering into a rating contract, the credit rating companies shall—

- (i) not accept a rating assignment where a client terminated a rating contract with another credit rating company, except with the prior approval of the Commission to be obtained by the client;
- (ii) communicate in writing with the credit rating company, if any, which had previously rated the client to ascertain professional reasons as to why the appointment should not be accepted; and
- (iii) consider the information obtained as per (ii) above while accepting rating assignment.”

SEC-SBP Task Force for Consolidated Supervision of Financial Sector. Following is an extract from SECP Press Release dated December 8, 2004:—

“The Securities and Exchange Commission of Pakistan (SEC) and the State Bank of Pakistan (SBP) have decided to form a task force for consolidated supervision of the financial sector.

This was decided in a SEC-SBP Coordination Committee Meeting held at the SEC head office in Islamabad on Wednesday. The meeting took stock of several important matters pertaining to regulation of the financial sector. The Governor SBP, Dr. Ishrat Husain and Chairman SEC, Dr. Tariq Hassan presided over the meeting which was attended by senior officials from both regulators.

Consolidated supervision has been an area of concern with the two regulators and various modalities and steps to be taken in this regard have been discussed. The task force would help pave the way for developing a framework for holistic regulation of the financial sector.”

Information to NAB. Following is the text of SECP’s Circular No. 30 of 2004, dated December 22, 2004, issued by the NBFCs Department:—

“Enclosed please find a copy of letter dated 08-12-2004 received from the National Accountability Bureau (NAB) regarding “Specimen Signature Book” that contains the names and specimen signatures of those officers of NAB, who would be seeking information u/s 19 of the National Accountability Ordinance (NAO), 1999. The “Specimen Signature Book” also contains cancelled specimen signatures of those officers who were earlier authorised to call information u/s 19 of NAO and have left NAB.

Please acknowledge receipt.”

Issue of certificates in foreign currency.— Following is the text of SECP Circular 6 of 2005 dated June 27, 2005:

“Certain NBFCs desirous of raising deposits in foreign currency have approached SEC for issuance of No Objection Certificate (NOC). In this respect, it is clarified that the following conditions in addition to other requirements/restrictions imposed by State Bank of Pakistan; should be observed by NBFCs raising foreign currency deposits.

1. NBFCs raising foreign currency deposits shall maintain in the currency of deposit a minimum of 5% of CRR (non-remunerative) and 15% (remunerative as prescribed by SBP for banks) of SCRR of their total foreign currency deposits with State Bank of Pakistan. The subject minimum requirements will change as and when SBP changes the same for commercial banks.

2. NBFCs shall report its assets and liabilities (both on and off balance sheet) in foreign currency on fortnightly basis to SEC as of first day and sixteenth day of every month. The report should reach within three working days subsequent to the reporting period.

3. Foreign currency deposits (FCDs) so raised shall be utilized for permissible activities like nostro placements, foreign currency loans, trade financing, SWAP transactions and matched forward transactions.

4. Foreign currency deposits can also be invested in Bonds/Securities with minimum credit rating of BBB (triple B).

5 NBFCs utilizing foreign currency deposits shall not carry any Net Open Position. All NBFCs desirous of raising foreign currency deposits are advised to ensure compliance of the above conditions.

Please acknowledge receipt.”

Appointment of directors of NBFCs not holding competing directorships. Following is the text of SECP Circular No. 12 of 2005 dated August 19, 2005:—

“In order to avoid conflict of interest between NBFCs. I, in exercise of the powers conferred by section 282D of the Companies Ordinance, 1984 (the “Ordinance”) hereby direct all Non-Banking Finance Companies (NBFCs) to appoint only such persons on their Board, who do not hold such office in any other NBFC engaged in similar business/ holding similar licences. I further direct all NBFCs undertaking the business of Investment Advisory Services, to ensure that their representation on the Board of any Investment Company consists of such person who are not on the Board of any other Investment Company.

Provided that the said direction shall not apply to the nominees of the Federal or the Provincial Government on the Board of any NBFC.

2. All NBFCs having such persons on their Board and having such representation on the Board of Investment Companies which is contrary to the aforesaid direction shall ensure compliance with this direction and shall appoint appropriate replacements on the respective Board, in terms of the relevant provisions of the Ordinance and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, latest by September 30, 2005.”

Companies Rules to be followed in applications by NBFCs.— Following is the text of SECP Circular No. 10 of 2005 dated August 16, 2005:—

“It has been observed that while making application(s) to the Securities and Exchange Commission of Pakistan (the “Commission”) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the “NBFC Rules, 2003”) and the Prudential Regulation for NBFCs (the “Regulations”), NBFCs and companies regulated under the NBFC Rules, 2003, do not follow the mode of submission for such application(s) prescribed in Rule

30 of the Companies (General Provisions and Forms) Rules, 1985 (the “Companies Rules, 1985”).

2. All NBFCs and companies regulated under the NBFC Rules, 2003 are, therefore, advised to ensure that applications made to the Commission under the NBFC Rules, 2003 and the Regulations shall comply with the requirements of the Rule 30 of the Companies Rules, 1985.

3. Please acknowledge receipt.”

Credit rating for NBFCs undertaking investment finance services, leasing, housing finance, discounting and venture capital investments. Following is the text of SECP Circular No. 11 of 2005 dated August 19, 2005:—

“I, in exercise of the powers conferred by section 282D of the Companies Ordinance, 1984 (the “Ordinance”) hereby direct all Non-Banking Finance Companies (NBFCs) undertaking the business of Investment Finance Services, Leasing, Housing Finance Services, Discounting Services and venture capital investments to obtain a credit rating from a credit rating company registered with the Securities and Exchange Commission of Pakistan (the “Commission”). This has been necessitated with a view to safeguard the interest of all stakeholders’ especially prospective investors and creditors.

2. I further direct all NBFCs undertaking the business of Investment Advisory Services and asset Management Services to obtain a rating specific to their management quality and a rating specific to the performance of the Collective Investment Scheme(s) (CISs) managed by them from a credit rating company registered with the Commission. This has been mandated with a view to safeguard the interest of all stakeholders of such NBFCs and the CISs managed by such NBFCs.

3. The rating shall be an ongoing process and shall be updated at least once every financial year, within six months from the date of close of each financial year. The rating report complete in all respect shall be submitted to the Commission and made public within a period of seven days of the notification of rating by the credit rating company. Further, all NBFCs shall disclose the rating in their annual reports and quarterly reports (where applicable), the annual and quarterly reports of the CISs managed by them, advertisements and brochures. In addition, all NBFCs undertaking the business of Investment Advisory Services and Asset Management Services shall disclose the rating of the CIS(s) managed by them in the annual and quarterly reports of the CIS(s).

4. The said directions shall be applicable to financial years ending on or after June 30, 2005.”

NBFCs not to disclose particulars of loans and advances in accounts statements. Following is the text of SECP Circular 13 of 2005, dated August 29, 2005:—

“The Commission has received requests from a few Non-Banking Finance Companies (NBFCs) for exemption from disclosure requirements of Clause 3C of Part II of the Fourth Schedule to the Companies Ordinance, 1984 (the “Ordinance”). Considering the practical difficulties expressed by the NBFCs, the Commission in exercise of the powers conferred under Section 234 of the Ordinance has decided to grant exemption to all the NBFCs from compliance with the requirements of Clause 3C of Part II of the Fourth Schedule to the Ordinance with effect from financial year ending on June 30, 2005 or onwards.”

Sale of assets to employees. Following is the text of SECP Circular 15 of 2005, dated September 19, 2005:—

“Attention is invited to Rule 7 (2) (b) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Circular 24 of 2003 dated October 8, 2003.

2. It has been observed that the NBFCs apply to the Commission for approval in case a vehicle or some other assets are being sold to an employee as per the company policy of the NBFC. It is hereby clarified that prior approval of the Commission in respect of assets sold to an employee including the Chief Executive Officer is not required provided it is allowed under the company policy / appointment letter / service manual of the NBFC which has been duly approved by the Board of Directors of the NBFC. In case the assets are sold to an employee including the Chief Executive Officer which are not part of the company policy / appointment letter / service manual of an NBFC duly approved by the Board of Directors prior written approval of the Commission is required.

3. Prior written approval of the Commission is, however, required in all instances where assets are being sold to a Director of the NBFC.”

Asset Management Co.-Foreign collaboration not mandatory.- Following is the text of SECP Press Release dated November 2, 2005:-

“The Commissioner (SCD) announced that SECP will no longer require foreign collaboration as a condition for the management of open end mutual funds.

It may noted that since the promulgation of the Asset Management Companies Rules of 1995 the Securities and Exchange Commission of Pakistan has been requiring management companies to arrange collaboration with foreign fund managers, of good repute, to become eligible for managing equity and balanced open ended funds. This condition was initially considered useful in order to facilitate the transfer of technical knowledge and expertise from overseas fund management companies to local industry. Most market participants now feel that this condition has outlived its usefulness. Over the past few years, the mutual fund industry has witnessed substantial growth as its size has proliferated from around 24 billion rupees to more than 100 billion rupees. The industry now offers a diversified range of funds. The Commission has noted that asset management companies have been demonstrating an ability to improve the quality of their local staffing through an improvement in hiring and training. The Commission expects the industry to further professionalize all aspects of mutual fund operations. The withdrawal of this condition should remove an unnecessary barrier for professional individuals or entities wishing to enter this industry and will save avoidable costs. We hope that the business community will take advantage of this market development initiative by the SECP. We expect all fund management companies to upgrade their technical skills, modernize their procedures, enhance their training budgets and to adhere to the highest standards of corporate governance. To prevent market abuse, SECP will be strengthening its approval criteria and enforcement systems.”

Procedure for Renewal of License.— Following is the text of SECP Circular 7 of 2006, dated May 4, 2006:—

“In case of renewal of licenses of NBFCs under rule 5 of the NBFC Rules, it has been observed that applications for renewal of license are being submitted shortly before expiry of license and, in some cases, after the expiry of the license. In order to standardize the procedure, it is hereby directed that henceforth applications for renewal of license should be submitted to the Commission one month before the expiry of the current license in accordance with rule 30 of the Companies (General Provisions and Forms) Rule, 1985. Apart from the documents required under the said rule 30, the following documents/information must be submitted along with the application:—

- (1) Application on Form-IV under rule 5(4) of the NBFC Rules.
- (2) Original paid bank Challan as evidence of payment of renewal fee.
- (3) Shareholding pattern (number and paid-up value of shares) as on the date of application for license.
- (4) Equity position of the company at the end of latest relevant quarter.
- (5) Details of directors' interest i.e. other directorships of each of the directors along with shareholding of 5% or more in any other company.
- (6) Latest credit rating of NBFC or quality management rating of the AMC/IA, as may be applicable.
- (7) Latest performance rating of all the Mutual Fund(s) (collective investment schemes) on the date of application”

Conditions for Issuance of Foreign Currency Certificate of Deposits (Cods) and Certificate of Investment (COIs). Following is the text of SECP Circular 8 of 2006, dated June 14, 2006:—

“All foreign exchange transactions are governed by provisions of the Foreign Exchange Regulations Act and regulations formulated by the State Bank of Pakistan under authority entrusted to it in the said Act. Consequently all NBFCs are advised to adhere to SBP’s regulations on foreign currency as issued from time to time and operate within the parameters of SBP’s restricted licence policy. In this context, SECP’s circular 6 of June 27, 2005 is being withdrawn with immediate effect.”

Conditions applicable to Promoters/Majority Shareholders of NBFCs.—Following is the text of SECP Circular 09 of 2006, dated June 15, 2006:—

“It has been observed that promoters/majority shareholders of Non-Banking Finance Companies (NBFCs) have, at times, disposed off controlling shares in NBFCs without the prior approval of the Securities and Exchange Commission of Pakistan (the Commission). Furthermore, shares of NBFCs held by promoters/majority shareholders are also being used to raise financing through pledge or in futures market or Continuous Funding System (CFS).

2. The Commission, therefore, in the public interest and to prevent the affairs of any NBFC being conducted in a manner detrimental to the interests of shareholders or persons whose interests are likely to be affected or in a manner prejudicial to the interests of the NBFC, in exercise of its powers under section 282D of the Companies Ordinance, 1984 directs NBFCs to ensure at all times that the promoters/majority shareholders having shares (subscribed or allotted or issued as right or bonus shares etc) of a NBFC shall comply with the following conditions:—

- (i) Promoters’/majority shareholders’ shares shall be deposited either with NBFC Department in the Commission or placed in an account at the Central Depository Company of Pakistan Limited (CDC).

In case of physical shares lodged with the NBFC Department, such shares shall be in a jumbo lot duly stamped as “Not to be sold, transferred, pledged, mortgaged, or encumbered in any manner whatsoever without prior approval of the Commission”.

In case of shares placed with CDC, each promoter/majority shareholder shall open an account (Sub-participant or Investor Account) at CDC for depositing their shares and confirm to the Commission the number of accounts with details within seven days. The account opened at CDC will be of a blocked nature and no withdrawal from the same will be allowed without prior written permission of the Commission. Moreover, charges for opening and operating these accounts will be borne by the promoters/majority shareholders.

- (ii) Any subsequent allotment/subscription, either in the form of right or bonus shares or in any other manner whatsoever, to the existing shareholding of promoters/majority shareholders shall also be deposited with the Commission or CDC in a similar manner.
- (iii) The promoters/majority shareholders shall not dispose off their shares in any manner whatsoever for a minimum period of three years after commencement of business or acquisition of majority shareholding, as applicable, and thereafter only with the prior approval in writing of the Commission; and

- (iv) The promoters/majority shareholders/NBFCs shall not raise any financing against such shares and shall also not keep these shares encumbered.

Explanation: For the purpose of this circular –

“promoter” means a person who has given an application to the Commission to form a NBFC under rule 4 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003; and

“majority shareholder” means a person who, individually or in consort with family or as part of a group, holds twenty percent of the paid-up share capital of the NBFC..

3. All existing NBFCs shall comply with the conditions (i) and (ii) within three months of the date of this circular and conditions (iii) and (iv) immediately. In addition, all new NBFCs, which will be established after issuance of this Circular shall comply with the conditions mentioned above immediately upon issuance of license under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.”

Right Issues and Underwriting By Collective Investment Schemes. Following is the text of SECP Circular 12 of 2006, dated August 01, 2006:–

“The Commission, in exercise of its powers under section 282D of the Companies Ordinance, 1984, directs NBFCs holding license to undertake asset management or investment advisory services to ensure compliance with the following decisions, in the interest of members of collective investment schemes:–

1. Collective investment schemes shall not underwrite or subscribe to securities issued by group companies of their investment adviser/asset management company and shall not underwrite or subscribe to issues underwritten, co-underwritten/ sub-underwritten by such group companies.

Explanation: The word Group shall have the same meaning as specified in Circular 2 of 2004 dated 21 January 2004 titled ‘Prudential Regulations for Non Banking Finance Companies’

2. Closed-end funds shall not issue right certificates at a price which is less than average of net asset value of certificates over a 90-day period immediately preceding the announcement of right issue. Suitable amendments in the trust deeds of the respective funds shall be made within three months of the issue of this directive by NBFCs holding investment advisory license”

Deposit of Margins and Mark-to-Market Losses By Collective Investment Schemes with National Clearing Company of Pakistan Ltd. (NCCPL). Following is the text of SECP Circular 11 of 2007, dated October 23, 2007:—

“In Terms of Regulation 12A.5.3 of National Clearing and Settlement System Regulation, 2003, All Non-Broker Clearing Members are required to deposit margins and mark-t-market losses with NCCPL, when they affirm trades entered on their behalf by their brokers. The text of aforesaid regulation is reproduced below:

“It shall be the responsibility of every Non-Broker Clearing Member to deposit with the Company the Collateral of such value as is calculated by the Company as above stated against its Exposure margins and Mark-to-Market Losses on every business (same) Day by the End of Day.”

2. The Securities and Exchange Commission of Pakistan has been clarifying, on case to case basis, that deposit of securities by a Collective Investment Scheme with the clearing system for settlement its own trades is not prohibited under the NBFC Rules. As the settlement system has now made it obligatory for the clearing members to deposit margins, it is hereby clarified that:-

“A Collective Investment Scheme (CIS), on acquiring membership (full or associate) of clearing company/settlement system may deposit margins and make-to-market losses in the form of security or any other prescribed collateral for facilitation or guaranteeing settlement of its own trades and transactions in favor of relevant Exchange or NCCPL, in compliance with regulations of the Exchange and / or NCCPL. A CIS shall, however, not pledge its securities for any other purposes including borrowing except as allowed under the NBFC Rules, 2003.”

3. All NBFCs holding investment advisory, asset management services licences and heads of investment companies may please note the above clarification.”

Applicability of Regulation 23 of Non-Banking Finance Companies and Notified Entities Regulation, 2007 relating to classification and provisioning of non-performing assets.—Following is the text of SECP Circular 17 of 2007, dated December 18, 2007:—

“In order to avoid practical difficulty in implementation of Regulation 23 of the Non-Banking Finance Companies and Notified Entities Regulation, 2007, it is hereby clarified that the said regulation is not applicable for the period ended 31st December 2007. The effective date of applicability of the said regulation will be intimated later.”

Practical Difficulty in Arriving at Fair Valuation of Equity Securities Held by Mutual Funds.- Following is the text of SECP Circular 23 of 2008 dated October 07, 2008:-

“Subsequent to the introduction of a ‘Floor’ on the equity prices at the stock exchanges the market volumes have drastically reduced leading to difficulty in discovery of fair valuation of equity securities. The Mutual Fund Association of Pakistan (“MUFAP”) held an emergency meeting on 6 October 2008 to review this extra ordinary situation. MUFAP noted that there is a serious possibility of unfair treatment to the unit holders of mutual fund who wish to continue holding their units relative to those who want to redeem during the period that the Floor at stock exchanges exist. Therefore, MUFAP resolved that SECP be requested to issue directive for suspension of issuance and redemption of units by mutual funds with direct exposure to equity securities.

In view of the prevailing situation and the request made by MUFAP the Securities and Exchange Commission of Pakistan (the “Commission”) deems appropriate that all Asset Management Companies (“AGMs”) managing Open-end Schemes take necessary measures to ensure protection of all unit holders. Therefore, to protect the interest of the unit holders, all AMC’s managing Open-end Schemes with direct exposure to equity securities, are directed under Section 282-D of the Companies Ordinance, 1984 to comply with the following:-

1. suspend pricing, issuance and redemption of units of Open-end Schemes with direct exposure to equity securities immediately;
2. continue suspension of dealing in units of aforementioned schemes till third business day after the Floor is removed at the stock exchanges;
3. deal with the applications received for issuance or redemption of units during the intervening period on the basis of closing price of third day after removal of the Floor; and
4. resume dealing in the units for the applications received after the third day of removed of the Floor as per practice before issuance of this Directive.

This Directive shall come into force immediately.”

Directions and Clarification for valuation of debt securities by Asset Management Companies Following is the text of SECP Circular No. 26 of 2008 dated November 05, 2008:-

“1. Due to absence of liquidity and price discovery in the debt market, the securities and Exchange Commission of Pakistan, in exercise of its powers conferred under section 282D of the Companies Ordinance, 1984, is satisfied that it is necessary and expedient in the public interest generally and in the interest of unit holders especially, to direct all Asset Management Companies that all debt securities including Term Finance Certificates (TFCs), Sukuksetc, held by collective investment schemes (Mutual Funds) shall, with immediate effect, be valued after applying the following discount rates for calculating the Net Asset Value (NAV):-

S. No.	Entity or issuer rating	Percentage of discount to face value
1.	AAA	5%
2.	AA+	7.5%

3.	AA	10%
4.	AA-	12.5%
5.	A+	15%
6.	A	17.5%
7.	A-	20%
8.	All others	30%

2. The Mutual Funds calculating NAV on backward pricing basis shall not entertain any redemption requests today i.e. 5th November, 2008.

3. This directive shall have immediate effect and will be applicable till 12th January, 2009 or such other date as the Commission may specify.”

Clarification Regarding Circular No. 26 of 2008- Following is the text of SECP Letter No. NBFC/MF-Cir/902/2008 dated November 06, 2008:—

“Reference MUFAP letter dated November 05, 2008 on the subject matter and clarifications requested by some of the Asset Management Companies in respect of the captioned Circular, the following points are clarified for compliance by all concerned:-

- (i) Government debt securities and debt securities issued with a Government guarantee will not be subjected to any discount rate for valuation;
- (ii) Rating of the Issue will be applicable if both Entity and the Issue are rated;
- (iii) If the Issue is not rated then the rating of the Entity shall prevail and if no rating is available then such security shall be subjected to the discount rate of the “all others” category;
- (iv) The discount rate shall be applicable on the face value of the relevant debt security; and
- (v) If the valuation resulting from the captioned circular is higher than the price quoted by MUFAP then the price quoted by MUFAP shall prevail.”

***Valuation of debt securities for Collective Investment Schemes.-** Following is the text of SECP’s Circular No. 1 of 2009 dated January 06, 2009:—

- “1. This circular is applicable only to the debt securities held by Collective Investment Schemes for determining daily Net Asset Value (NAV).
2. For the purpose of this circular, 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 and includes Term Finance Certificates (TFCs), bonds, debentures, Sukuks, and commercial papers etc.
3. Dormant debt securities market coupled with recent liquidity crunch significantly dried out trading of debt securities held by Collective Investment Schemes. Owing to this, fair valuation of debt securities based on market traded data became unviable. Therefore the pricing mechanism entrusted with Mutual Fund Association of Pakistan (MUFAP) for determining and declaring the fair value of debt securities based on quotation of three brokers in terms of traded volume had become ineffective.
4. In order to derive the fair valuation of debt securities held by Collective Investment Schemes the MUFAP after thorough review of international best practices submitted a methodology for valuation of debt securities and provisioning criteria for non-performing debt securities to the Commission for its consideration. The Commission held various consultative meetings with the MUFAP in order to finalize these.

*please see amending Cir No. 6 on page 151.

5. Now, in exercise of its powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 66(b) of Non-Banking Finance Companies and Notified Entities ("NBFC") Regulations, 2008, the SECP hereby directs all the Asset Management Companies (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 'I' and Annexure 'II'** respectively.
6. The value of debt securities based on methodology for valuation of debt securities shall be determined and announced by MUFAP on the fortnightly basis for the next eight (8) weeks from effective date of this circular. 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 eight (8) weeks, the valuation of debt securities shall be determined and announced by MUFAP on daily basis. MUFAP shall announce these valuation on its website and shall maintain all the relevant data and working for at least 18 months.
7. 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 a regular basis.
8. Given the specialized nature of the 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. In case of any clarification with respect to this circular, all the AMCs and MUFAP shall approach the Commission for this purpose.
10. This circular supersedes directive issued vide Circular No. 26/2008 dated the 5th November, 2008.
11. This circular shall into force with effect from January 1, 2009."

¹[**Annexure - I**

METHODOLOGY FOR VALUATION OF DEBT SECURITIES

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

¹Annexure I and II replaced by Cir. No. 33 of 2012 dated October 24, 2012.

- 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-day period before the valuation date.

3. Non Traded Securities

- Debt securities that have a traded volume of 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**
 - Performing Assets
 - 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 MUFAP 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.

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

i) INVESTMENT GRADE:

The performing investment grade debt securities shall be classified as under:

- a) **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.
- b) **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 II.

ii) **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 II.

CHAPTER 3

3A. VALUATION PROCESS – YIELD MATRIX

STEP 1: 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:

- 3-6 months
- 0.5-1 years
- 1-2 years
- 2-3 years
- 3-4 years
- 4-5 years
- 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:

- 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).
 - Less than One year
 - Between 1 and 3 years
 - Between 3 and 5 years
 - 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				
A-				
BBB+				
BBB				

- 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.
- Employing the traded prices as well as primary issuances during the considered fortnight, 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.
- In the event of lack of trades in the secondary market and the primary market, the gaps in the 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.
- If extrapolation is not possible, the gaps in the matrix shall be filled by carrying the spreads from the last matrix.
- 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

- The asset manager shall have the discretion to apply a mark up/mark down (within the available limit as specified below) to yield of any specific debt security.
- Discretionary mark up/mark down shall be applied to take into account the following aspects associated with a specific debt security:
 - Illiquidity risk,
 - Sector specific risk,
 - Issuer class risk.

- Mark up/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

- Application of discretionary mark up/ 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 mark up/mark down shall be ratified by the Board of the AMC in the next meeting
- Discretionary mark up/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 upto 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, issue or sector 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 short time span.
- Breach of covenants relating to the performing debt security.
- Deteriorating operating, financial and cash flow position of the issuer.
- 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 - II**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 from the due date.

B. SUSPENSION AND REVERSAL OF INTEREST/PROFIT

- The accrual of interest/profit shall be suspended from the first day the interest/profit payment falls due and is not received.
- 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.
- 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

- 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 day	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%

- 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 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.
- 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.

- 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 outlines 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

- 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.
- In case 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; and
 - ii. All the arrears (till the date of restructuring) have been received in cash.
 - 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

- The unrealized interest/ mark-up amount reversed shall be written back to income upto the extent it is received in cash.
- 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.]”

Reporting of trade information by all Asset Management Companies for dealing in debt securities.- Following is the text of SECP’s Circular No. 2 of 2009 dated January 14, 2009:—

- “1. This Circular issued in continuation of Circular No. 1 of 2009 wherein the Commission has prescribed the methodology for valuation of debt securities (“valuation methodology”) for calculation of Net Asset Value (NAV) of Collective Investment Schemes (“CIS”).
2. 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 Asset

Management Companies (“AMCs”) to report to the Mutual Funds Association of Pakistan (“MUFAP”) as and when they execute all transactions (buy or sell trade) in a debt security.

3. Therefore, in exercise of the powers of the Commission contained in Section 282B(3) of the Companies Ordinance, 1984 (the “Ordinance”), all AMCs are hereby directed to report trade related information for debt securities to MUFAP and the Commission in accordance with the format attached as an **Annexure** to this Circular.
4. 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 01, 2009 to date shall be reported immediately by the AMCs on a consolidated basis to MUFAP and the Commission.
5. This Circular shall come into force with immediate effect. All AMCs shall circulate this Circular amongst their concerned officers for compliance in letter and spirit. Any contravention of the directions contained in this Circular shall be dealt with in accordance with the provisions of the Ordinance.”

Annexure

Detail of Debt Securities sold/purchased by Collective Investment Scheme

Trade Date	Issue name	Nature of Debt Security (TFC/ Sukuketc)	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

Revaluation Surplus /Deficit.—Following is the text of SBP’s **BSD Circular Letter No. 02** dated January 27, 2009:—

“Please refer to BSD Circular No. 10 dated July 13, 2004 and subsequent instructions on the captioned subject.

2. State Bank of Pakistan has been approached by Pakistan Banks’ Association as well as individual banks on the matters relating to determination and treatment of Revaluation Surplus/Deficit on **listed equity investments, TFCs and Sukuks**. It is clarified that Banks / DFIs may use market prices as prevailing on 31st December 2008, for the purpose of preparing Annual Financial Statements for the year ended 31st December, 2008. Furthermore, the Surplus/Deficit so determined will be reflected in the Profit & Loss Account / Balance Sheet of the bank / DFI in accordance with the existing instructions issued from time to time on the subject.

3. All other instructions on the subject shall however, remain unchanged.”

Valuation of shares and treatment of surplus/deficit for preparing accounts of NBFCs.- Following is the text of SECP's **Press Note** dated January 29, 2009:-

"The Securities and Exchange Commission of Pakistan (SECP) has clarified that companies, for the purposes of preparing the financial statements for the period ending December 31, 2008, may use market price as quoted on the stock exchange on December 31, 2008 as fair value of securities. The resultant revaluation surplus/deficit will be treated in accordance with IAS-39.

SECP had been approached by a number of companies in connection with the determination of fair value of securities listed on Stock Exchanges. The press release is being issued to clarify the matter."

Categorization of open-end Collective Investment Scheme.- Following is the text of SECP's Circular No. 7 of 2009 dated March 06, 2009:-

1. 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.
2. The Securities and Exchange Commission of Pakistan ("the Commission") in consultation with the Mutual Funds Association of Pakistan ("MUFAP") has devised criteria for categorization of open-end CIS.
3. In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(2) of Non-Banking Finance Companies and Notified Entities ("NBFC") Regulations, 2008, the Commission hereby directs all the Asset Management Companies (AMCs) to ensure that all existing and upcoming open-end CIS shall be categorized in accordance with the criteria attached as **Annexure** to this Circular in true letter and spirit.
4. Categorization of existing open-end CIS shall be approved by the Board of Directors of each AMC and AMC shall ensure that requisite amendments in relation to categorization, investment objective and relevant benchmark are incorporated in the constitutive documents of the open-end CIS.
5. The AMCs shall bring the investment portfolio of open-end CIS in accordance with the categorization as approved by the Board of Directors of AMC and shall also make requisite amendments in the constitutive documents of the open-end CIS within one year of the date of this Circular.
6. All upcoming open-end CIS including those which have been registered but not yet offered to the public shall be categorized in accordance with the annexed criteria and requisite amendments, with the approval of the Commission, shall be made in the constitutive documents before launch of such open-end CIS.
7. 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.
8. Henceforth, the pricing mechanism for all open-end CIS with the exception of money market schemes shall be based on forward pricing mechanism. All existing open-end CIS on backward pricing mechanism shall transition to

forward pricing mechanism within three months from the date of this Circular.

9. In case of any clarification with respect to this circular, all AMCs and MUFAP shall approach the Commission for this purpose.
10. This Circular shall come into force with immediate effect.

ANNEXURE

CRITERIA FOR CATEGORIZATION OF OPEN-END COLLECTIVE INVESTMENT SCHEMES

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

1. Equity Scheme

- i) 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;
- ii) 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
- iii) It shall not take exposure to Continuous Funding System (CFS).

2. Balanced Scheme

- i) 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, CFS, spread transactions, preference shares;
- ii) 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 underlying security, however, the minimum 30% non-hedged exposure in listed equity securities shall be maintained at all times;
- iii) The remaining net assets shall be invested in the authorized investments as specified in the offering document of the scheme;
- ¹[iv) 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);]
- v) Rating of any NBFC and Modaraba with which funds are placed shall not be lower than AA (Double A);
- vi) Rating of any bank and DFI with which funds are placed should not be lower than AA(-) (Double A Minus);
- vii) Weighted average time to maturity of non-equity assets shall not exceed 2 years; and
- viii) Exposure to CFS and spreads shall not exceed 25% of the net assets.

3. Asset Allocation Scheme

- i) 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;

¹Clause 2(iv) substituted by SECP's Circular No. 09 of 2023 dated June 01, 2023. Before substitution it read as follows:-

- iv) Rating of any debt security in the portfolio shall not be lower than A-(A Minus);

- ii) Every such Scheme shall disclose in its offering document the following;
 - a) Authorised investments; and
 - b) Rating of securities that it would invest in.
- iii) The investment within cash asset class shall be governed by the criteria applicable to schemes of that asset class.

4. **Fund of Funds Scheme**

- i) Such scheme shall invest its net assets in other schemes only;
- ii) 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;
- iii) 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;
- iv) Every such scheme shall ensure that it does not invest in the seed capital of any other collective investment scheme;
- v) A fund of fund scheme may also be established with the objective of investing in closed-end schemes.

5. **Shariah Compliant (Islamic) Scheme**

- i) Such scheme shall invest its assets only in Shariah compliant assets;
- ¹[ii) 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. 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 and rating of any short-term debt instruments in the portfolio shall not be lower than A 2 (A Two).]
- iii) 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.

6. **Capital Protected Scheme**

- i) Such Scheme shall make investments in such a manner that the original amount of investment is protected whilst having the potential to 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 intended to be achieved; and
- ii) 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).

¹Clause 5(ii) substituted by SECP's Circular No. 09 of 2023 dated June 01, 2023. Before substitution it read as follows:-

“ii) In all other categories except money market Shariah Compliant Schemes, rating of any bank or DFI with which funds are placed should not be lower than A-(A minus); and”

7. Index Scheme/ Index Tracker Scheme

- i) Such schemes shall strive to mimic the stated index and disclose the likely tracking error in the Offering Document;
- ii) 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;
- iii) Index schemes and index tracker schemes may select an index (or a subset thereof) established by a recognized independent third party.

8. Money Market Scheme

- i) Investment avenues - government securities, cash and near 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 ¹[and/or short term Sukuk], reverse repo;
- ii) No direct/ indirect exposure to equities, i.e. no exposure in equities, CFS, spread transactions, etc.;
- iii) Rating of any NBFC and Modaraba with which funds are placed shall not be lower than AAA (Triple A);
- iv) Rating of any bank and DFI with which funds are placed should not be lower than AA (Double A);
- ²[v) 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);]
- vi) Time to maturity of any asset shall not exceed six months; and
- vii) Weighted average time to maturity of the net assets shall not exceed 90 days.

9. Income Scheme

- i) 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, CFS, spread transactions;
- ii) Exposure to CFS and Spreads shall not exceed 40% of the net assets;

¹Words inserted by Circular 11 of 2022 dated October 13, 2022.

²Clause 8(v) substituted by SECP's Circular No. 09 of 2023 dated June 01, 2023. Before substitution it read as follows:-

“(v) Rating of any security in the portfolio shall not be lower than AA (Double A);”

- ¹[iii) At least 25% of the net assets shall be invested in cash and near cash instruments which include cash in bank account (excluding TDR) and 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;]
- iv) 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;
- ²[v) 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).]
- vi) Rating of any NBFC and Modaraba with which funds are placed shall not be lower than investment grade;
- vii) Rating of any bank and DFI with which funds are placed should not be lower than investment grade;
- viii) 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; and
- ix) No restriction regarding:
 - Time to maturity of any single asset in the portfolio;
 - Duration of a single security in the portfolio.

10. **Aggressive Fixed Income Scheme**

- i) 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, CFS, spread transactions;
- ii) 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;
- iii) Both rated and unrated securities shall be eligible for investment, below investment grade rated securities shall also be eligible for investment;
- iv) 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;
- v) No restriction regarding time to maturity of any single security in the portfolio.”

¹Clause 9(iii) substituted by Circular 03 of 2015 dated January 26, 2015. Before substitution it read as follows:-

“iii) 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;”

²Clause 9(v) substituted by SECP's Circular No. 09 of 2023 dated June 01, 2023. Before substitution it read as follows:-

“v) Rating of any security in the portfolio shall not be lower than investment grade;”

Direction under section 282D of the Companies Ordinance “Deposit of Shares of sponsors/major shareholders in blocked CDC account in compliance with SECP Circular 09 of 2006 (now replaced with rule 5(6) (E) of the NBFC Rules (amended), 2003”.- Following is the text of SECP’s Circular dated March 06, 2009:–

“Your company had deposited shares of sponsors/major shareholders in physical form with the Securities & Exchange Commission of Pakistan (SECP) in compliance with Circular 9 of 2006 now replaced with Rule 5(6) (e) of the NBFC Rules (amended), 2003.

2. As you are aware, Central Depository Company (CDC) provides custodial services to individuals as well as companies for the safekeeping of the shares in data entry form. You are therefore, hereby directed to make necessary arrangements to collect the physical shares certificates deposited with SECP. For this purpose, an application for release of specific shares alongwith an undertaking on stamp paper duly signed by the Chief Executive shall be submitted to SECP stating that the physical shares of the sponsors/majority shareholders upon receipt from SECP shall be deposited in a blocked CDC account after completing necessary formalities for opening the CDC accounts.

3. For your convenience, we are enclosing herewith procedure to be followed along with schedule of fee for conversion and depositing shares with CDC in a blocked account. This exercise shall be completed at the earliest but not later than March 31, 2009. After completing the process, NBFC shall arrange to send a letter from CDC confirming having blocked the account with details of

shareholding.

4. In case of any clarification please contact:

Mr. Umar Hayat Khan, Director

Phone: 051 9210211

umar.hayat@secp.gov.pk

Mr. Muhammad Arshad, Deputy Director

Phone: 051 9207091-94/ Ext: 257

muhammad.arshad@secp.gov.pk

Formalities pertaining to declaration:

[This compliance pertains to the NBFC/Modaraba where their securities have not already been declared as CDS Eligible Securities]

1. Submission of certain standardized certificates under the CDC Regulations (specimen are provided by CDC on standard formats) and a certified copy of memorandum and articles of association along with the following documents:

a. Latest Annual Audited Accounts (Published copy) or Auditors' certificates confirming the present paid-up capital of the NBFC/Modaraba;

2. Where an NBFC or a Modaraba is listed on any stock exchange, an independent Registrar/Transfer Agent ("*R/TA*") shall be appointed in accordance with section 204A of the Companies Ordinance, 1984 and provide following additional documents to CDC:

a. A representation by NBFC/Modaraba on prescribed format w.r.t appointment of R/TA along with certified copy of Board resolution or power of attorney authorizing appointment of R/TA;

b. A certified true copy of Memorandum & Article of Association of R/TA;

c. Latest certified true copy of Form 'A' Form 29 related to R/TA);

d. confirmation from Stock Exchange (in case of provisionally listed security, Prospectus would suffice this requirement); and

e. Specimen signatures of authorized signatories of R/TA.

3. Based on the above documents, CDC would declare the CDS Eligibility of securities of the company with effect from the desired date and a formal notice would be issued. Copy of said notice along with cover letter would be sent by CDC to the company and SECP as well as stock exchanges if listed;

4. Completion of remaining formalities by the NBFC/Modaraba such as submission of Board resolution, signing and execution of Issuer Agreement and Admission Form besides payment of relevant fee & deposit (**please refer attached Fees & Deposits Schedule as Annexure "A"**). All these documents are standardized and can be obtained from CDC; and

5. Upon completion of above formalities, CDC would set up securities of the NBFC/Modaraba on live CDS.

Formalities pertaining to opening of accounts:

Sponsors/sponsor directors/majority shareholders have following three options available for opening of CDS accounts:

- a) To have direct account with CDC Investor Account Services. For this, relevant form (for individual and corporate accounts) can be obtained from CDC offices **(please refer attached Fees & Deposits Schedule for charges to be paid by the shareholders as Annexure "B")**;
- b) To have sub-accounts with any Participant (stockbrokers); or
- c) Where the sponsor/majority shareholder is an Account Holder or a Participant, additional House Account can be opened for this purpose.

Note 1: *Normally custody fee is charged at the rate of 0.015% p.a., however, for securities held in blocked status in the CDS due to any regulatory requirement, such as under SECP or SBP circulars or under directive of Privatization Commission etc., CDC charges custody fee at a reduced rate of 0.0075% p.a.*

Formalities pertaining to deposit of physical securities in to the CDS

- a) Specialized Companies Division (NBFC) of SECP to release the sponsors securities.
- b) Physical securities to be lodged with CDC (in case of Investor Account) or the Participant (in case of sub-account) along with duly verified Transfer Deed and securities deposit form. CDC or the Participant would then make a deposit request transaction in the CDS and send these documents to the relevant R/TA for verification / approval.
- c) After approval by R/TA the securities become available in the CDS account of the sponsor in book entry form.

Deposit formalities pertaining to blocking of accounts

- a) Once CDS account of a sponsor shareholder is opened, CDC would require NOC (specimen attached as Annexure "C" for Circular 9 and "D" for Circular 10) from the sponsor/sponsor director/majority shareholder to block the account along with a cellified copy of his/her CNIC (in case of an individual shareholder) or a Board resolution authorizing issuance of NOC (in case of corporate account); CNIC and Board Resolution are not required (in case of Investor Account); and
- b) Upon receipt of above NOC along with relevant documents, CDC would block the account and formally inform the SECP and the concerned NBFC/Modaraba.

Note 2: *As per the CDC Regulations, where the entity is acting as an Account Holder and an Issuer in the CDS and having an in-house share registration department, such Issuer shall outsource its share registration function to an independent transfer agent/share registrar.*

Note 3: *Please note that CDC is in the process of facilitating blocking feature on security level which currently is available on account level. This facility would be provided shortly whereby existing account (if any) could be used to comply with SECP circulars.*

We hope that above procedures would suffice your inquest, however, if you need any further information, please feel free to contact us.

Regards,

Rasool Hooda Manager, Compliance

(Annexures A to C are not reproduced here due to sake of brevity).

Tainted money.—Following is the text of SECP's Circular No. 12 dated April 28, 2009:—

“In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984, read with Regulation 9 of Non Banking Finance Companies and Notified Entities Regulation 2008, the Securities and Exchange Commission of Pakistan hereby issues the following instructions to safeguard NBFCs against involvement in money laundering activities, terrorist financing and other illegal trades:

1. NBFCs shall formulate and put in place, a comprehensive Customer Due Diligence/ Know Your Customer Policy (CDD/KYC) duly approved by their Board of Directors. CDD/ KYC policy of the NBFCs shall interalia include a description of the types of customers that are likely to pose a higher than average risk to the NBFC and guidelines for conducting Enhanced Customer Due Diligence depending upon the customers' background, country of origin, public or high profile position, nature of business, etc.
2. **Minimum Information/ Documents**
 - a. NBFCs shall obtain the following minimum information /set of documents from various types of customers/ account holder(s) for examination and verification, at the time of opening account:

Type of Customer	Information/Documents
Individuals/Sole proprietor ship	Name
	Father's Name
	Address
	Telephone Number
	Copy of CNIC or Passport
	Sources of Income
	Business/Employment proof
Partnership Account	Name of partnership and partners
	Father's Name of partners
	Address
	Telephone No
	Copies of CNIC of all the partners
	Copy of latest financials of partnership

Joint Stock Companies	Name of Company and it's Directors
	Registered Address
	Telephone Number
	Copies of CNICs of all directors
	Audited Accounts of the company
	Memorandum and Articles of Association
	Board Resolution
Club Societies and Associations	Certified copy of certificate of registration
	Certified copy of by laws rules and regulations
	Board/Governing body Resolution
	Copy of latest financials of the Society/Association
Trusts	Copy of CNIC of all the trustees
	Certified copy of trust deed
	Trustee/Governing body Resolution
	Copy of latest financials of the Trust
Executors and Administrators	Copy of CNIC of the Executors/Administrator
	Certified copy of Letter of Administration

- b. For all customers, NBFCs should determine whether the customer is acting on behalf of another person, and should then take reasonable steps to obtain sufficient identification data (such as copy of CNIC, or other relevant document/information) to verify the identity of the beneficiary.
- c. For customers that are legal persons or for legal arrangements, NBFCs are required to take reasonable measures to (i) understand the ownership and control structure of the customer (ii) determine that the natural persons who ultimately own or control the customer. This includes those persons who exercise ultimate effective control over a legal person or arrangement.
- d. Government accounts should not be opened in the personal names of the government official(s). Any such account, which is to be operated by an officer of the Federal/ Provincial / Local Government in his / her official capacity, shall be opened only on production of a special resolution/ authority from the concerned administrative department duly endorsed by the Ministry of Finance or Finance Department of the concerned Government.

3. **Verification**

Verification is an integral part of CDD/KYC measures for which NBFCs shall ensure that;

- a. copies of CNIC wherever required are invariably verified. Before opening the account, NBFCs shall verify CNIC by utilizing on-line facility of NADRA. In case NBFC or its branches do not have the on-line facility, then CNIC shall be verified from the Regional Office of NADRA. The cost of verification of CNIC from NADRA shall not be passed on to the existing or prospective account holder of NBFCs.

- b. for all existing customers including depositors and borrowers, NBFCs shall obtain the copies of CNICs and all required information/documents latest by September 30, 2009.

4. **High Risk Customers**

NBFCs shall conduct enhanced due diligence when:

- (a) dealing with high-risk customers, business relationship or transaction including the following;
 - I. non-resident customers;
 - II. non-legal persons or arrangements including non-governmental organizations (NGOs)/ not-for-profit organizations (NPOs) and trusts/ charities;
 - III. customers belonging to countries where CDD/ KYC and anti-money laundering regulations are lax;
 - IV. customers with links to offshore tax havens;
 - V. high net worth customers with no clearly identifiable source of income; and
 - VI customers dealing in high-value items.
- (b) there is reason to believe that the customer has been refused by another financial institution.
- (c) Dealing with politically exposed persons (including foreigners) or customers holding public or high profile positions. For politically exposed persons or holders of public or high profile positions, enhanced due diligence should include the following:
 - i. Relationship should be established and/ or maintained with the approval of senior management including when an existing customer becomes holder of any public office or high profile position.
 - ii. Appropriate risk management systems shall be put in place to determine whether a potential customer, existing customer or the beneficial owner, is a politically exposed person, holder of public office or the holder of high profile position. The sources of wealth / funds of such customers, shall be monitored on regular basis.
- (d) Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying Financial Action Task Force (FATF) recommendations.

5. **Low Risk Customers**

Where there are low risks and information on the identity of the customer and the beneficial owner of a customer is publicly available, or where adequate checks and controls exist, NBFC may simplified or reduced CDD/ KYC measures. Following cases may be considered for application of simplified or reduced CDD/KYC:

- a. Financial institutions provided they are subject to requirements to combat money laundering an terrorist financing consistent with the FATE recommendations and are supervised for compliance with those requirements.

- b. Public listed companies that are subject to regulatory disclosure requirements, Government administrations/ entities.

6. Record updation

NBFCs are also advised that CDD/KYC is not a one time exercise to be conducted at the time of entering into a formal relationship with customer/ account holder. This is an on-going process and to this end, NBFCs are required to:

- a. Put in place a system to monitor the accounts and transactions on regular basis.
- b. Update customer information and records, if any, at reasonable intervals.
- c. Chalk out plan of imparting suitable training to the staff of NBFC periodically.
- d. Maintain proper records of customer identifications and clearly indicate, in writing, if any exception is made in fulfilling the CDD/KYC measures.

7. Record Retention

NBFCs shall keep records regarding the identification data obtained through the customer due diligence process (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the business relationship is ended.

- 8. In case NBFCs are not able to satisfactorily complete required CDD/KYC measures, account should not be opened, business relationship should not be established and business transaction should not be carried out. Instead reporting of suspicious transaction be considered. Similarly, relationship with existing customer should be terminated and reporting of suspicious transactions be considered if CDD/KYC is found unsatisfactory.

The above mentioned instructions are the minimum guidelines and NBFCs are encouraged to take additional measures if deemed appropriate.”

Asset management Companies, provision against non-performing assets.-Following is the text of SECP's Circular No. 13 dated May 04, 2009:-

“It has been observed by this office that certain Asset Management Companies (AMCs) are making provision against debt securities over and above the minimum provisioning requirements prescribed by the Commission under Circular 1 of 2009 without having in place a Provisioning Policy duly approved by their Board of Directors (“Board”). Apart from this, some AMCs are also making provision against other exposure such as money market placements, COIs, LOP, etc. where provisioning requirement has neither been prescribed by the Commission nor any Provisioning Policy duly approved by the Board of the AMC is in place.

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 in exercise of the powers conferred the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby directs all AMCs to comply with the following:

- 1) AMCs deciding to make any provision against exposure such as COIs, 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 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;
- 2) The Provisioning Policy approved by the Board shall *inter-alia* contain:
 1. Eligibility criteria for debt security and other exposure for making provision;
 2. Criteria for classification as non-performing exposure;
 3. Provisioning requirements including the minimum time frame for maintaining the applied provisions;
 4. Criteria for suspension of mark up;
 5. Criteria for reversals of provisioning; and
 6. Requirements for disclosure of the Provisioning Policy to unit holders and prospective investors.
- 3) All AMCs which have already made additional provisions against debt securities i.e. over and above the minimum provisioning requirements as prescribed under Circular No. 1 of 2009 or have provided against any other exposure shall immediately formulate the Provisioning Policy with the approval of the Board of Directors but not later than 7 days of the date of this circular.
- 4) 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. The 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.

This Circular shall come into force with immediate effect. In case of any clarification all AMCs and MUFAP are advised to approach the Commission.

This Circular is issued with the approval of the Competent Authority.”

Requirements of investment in own certificates.—Following is the text of SECP’s Circular No. 14 dated May 04, 2009:—

“In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(11) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 the Securities and Exchange Commission of Pakistan (“the Commission”) hereby specifies the following requirements for closed-end scheme (“scheme”) for investment in its own certificates (hereinafter referred to as “repurchase”) and for subsequent resale (hereinafter referred to as “resale”) of such certificates.

1. Requirements and Procedure 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:

- i. Repurchase of certificates of the scheme shall not be effected 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;
- ii. The Asset Management Company (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:
 - eligible discount range for repurchase i.e. percentage difference in market value of certificates of the scheme compared to the NAV of the scheme;
 - maximum number of certificates to be repurchased;
 - repurchase period not exceeding three months and which shall not be extended or rolled over;
 - sources of funds available for repurchase of certificates;
 - justification for the repurchase, and
 - effect of the repurchase on the financial position of the scheme.
- iii. The Board shall have the discretion to permit the AMC that it may effect 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 disclosed in the repurchase program;
- iv. 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;
- v. 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.
- vi. 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 exchanges(s) on which the scheme is listed and in accordance with the securities laws and other exchange requirements;

- vii. 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.
- viii. 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;
- ix. 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'
- x. 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 effected. The notice so sent shall be immediately announced by the stock exchange on its website, through notices, etc.;
- xi. 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;
- xii. 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.
- xiii. For accounting purposes, the investment made in its own certificates by a scheme shall treated as a contra account to the certificate holders fund (capital);
- xiv. The certificates repurchased by the scheme shall be held in a CDC account in the name of the trustee of the scheme'

- xv. AMC managing the scheme shall not charge any management fee for repurchase made in the certificates of the scheme;
- xvi. AMC on behalf of the scheme shall not borrow for the purpose of re-purchase of certificates of the scheme;
- xvii. 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;
- xviii. 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 certificate repurchased on the day of closing of purchase period.

2. Requirements and Procedure 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:

- i. 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;
- ii. 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;
- iii. The resale price of its own certificates repurchased by a scheme shall not be less than the average repurchase price of these certificates (after taking any dilution effect, if any);
- iv. For accounting purpose the certificates resold shall result in a reduction in the contra account to certificate holders fund (capital).

3. General Requirements

- i. The scheme shall neither be a capital protected scheme nor shall it have limited life;
- ii. The Board shall not approve repurchase and resale of certificates of the scheme and the AMC shall not effect 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.
- iii. 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;
- iv. 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;
- v. 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;
- vi. The AMC on behalf of the scheme shall disclose in the quarterly, half 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;
- vii. 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 is in possession of material, non-public, price-sensitive information concerning the scheme;
- viii. 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.
- ix. 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:

- (i) stopping the AMC on behalf of the scheme at any stage from making the repurchase;

- (ii) to do or desist from doing such acts as the Commission may determine; and
- (iii) carry out such steps as are necessary to rectify the situation.

This Circular shall be effective, immediately. In case of any clarification with respect to this circular, all AMC's and MUFAP shall approach the Commission.

This Circular is issued with approval of the Competent Authority.

Requirement for approval of merger of Open End Scheme.-Following is the text of SECP's Circular No. 20 of 2009 dated June 23, 2009:-

"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"). Accordingly, the Commission deems it expedient to provide for a regulatory process for carrying out mergers of Open End Schemes (the "schemes").

Therefore, in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 58(1)(m) of the Regulations, the Commission hereby directs Asset Management Companies (AMCs) to complete the requirements as provided herein for merger of Open End Schemes.

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:

- (i) Certified copy of the resolution passed by the board of directors of concerned AMC approving the Scheme of Merger;
- (ii) NOC to the Scheme of Merger by the respective trustee of the schemes;
- (iii) Approval from other concerned authorities, as may be required;
- (iv) 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;
- (v) Copy of the notice published in the newspapers for calling the meeting of the unit holders indicating time, place and objective of the meeting;
- (vi) An undertaking by the AMC that it has disclosed all material facts regarding Scheme of Merger to its unit holders and the trustee;
- (vii) 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;
- (viii) Copy of a complete set of the information/documents as placed before the unit holders of the concerned schemes in their respective meeting;

- (ix) Confirmation from the AMC that the requirements as laid down herein have been duly complied with and no other law has been violated; and
- (x) any information/document as may be required by the Commission to consider the application for approval of Scheme of Merger.

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 unit holders:

- (i) 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.
- (ii) 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.
- (iii) Proposed Scheme of Merger, statement of material facts and other pertinent information/documents shall be made available to the unit holders.
- (iv) Trustee of the concerned scheme shall attend the meeting of unit holders.
- (v) 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.

- (vi) 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.

3. Other requirements

The following other requirements shall need to be observed:

- (i) 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.
- (ii) 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.
- (iii) No fee and expenses relating to the merger shall be charged to any scheme.
- (iv) 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 NAV 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.

This Circular shall come into effect immediately.

Sd/-
(Salman Ali Shaikh)
Commissioner (SCD)

E2 22-31-08-09

Transaction exceeding Rs. 2.5 million reported as CTR.-Following is the text of SRO _____(I)/2009 dated October 01, 2009:-

“In exercise of the powers conferred by clause (c) of section 2 of the Anti-Money Laundering Ordinance, 2007 (XLV of 2007), the National Executive Committee is pleased to specify that any transaction exceeding rupees twenty-five lacs (Rs. 2.5 million) shall be reported as CTR.”

[No. F.3(40)BKG(R&S)/1994.]

(Malik Sher Afzal)
Deputy Secretary (Bkg)

AML Measures – Threshold for Filing of Currency Transaction Report (CTR).

Following is the text of SECP’s Circular No. 31 of 2009 dated October 08, 2009:-

“Ministry of Finance vide SRO (I)/2009 dated October 01, 2009 has notified that the National Executive Committee, in exercise of the powers conferred by clause (c) of section 2 of the Anti Money Laundering Ordinance, 2007 has specified that any transaction exceeding Rupees twenty five lacs (Rs. 2.5 million) shall be reported as CTR to Financial Monitoring Unit (Copy of the notification is attached).

All concerned are advised to ensure compliance.

(Imran Hussain Minhas)
Joint Director(SCD)

Minimum Requirements for Undertaking Discretionary and Non-Discretionary Portfolio Management. Following is the text of SECP’s Circular No. 32 of 2009 dated October 09, 2009:-

“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. Therefore, Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of its powers conferred by section 282(B)(3) of the Companies Ordinance, 1984 read with Regulations 34 and 67 of the Regulations, deems it necessary to prescribe following minimum requirements for the NBFCs to undertake portfolio management and hereby directs the NBFCs to abide, in letter and spirit, with these requirements 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.

(A) Portfolio Management Agreement & Investment Policy Statement

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**.
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.
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:
 - 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 specified 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.
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.

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.
6. The NBFC shall perform portfolio management for the investor in accordance with the agreement.

(B) Business Conduct

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.
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.
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.
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.
5. The NBFC shall ensure that all professional dealings are effected 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.
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.
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.
8. The NBFC shall supply to the Commission, copies of all reports sent to the investor as and when required by the Commission.

These minimum requirements shall come into force with immediate effect. The NBFCs engaged in portfolio management services prior to coming into effect of this Circular shall ensure compliance with these requirements within 6 months of the date of this Circular.

The NBFCs, Mutual Funds Association of Pakistan and Investment Banks Association of Pakistan are advised to approach the Commission should they require any clarification in relation to this Circular.”

Annexure

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, semi-annually, 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.

Extension in period.-Following is the text of SRO 886(I)/2009 dated October 13, 2009:-

“In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 (XLVII of 1984), read with *proviso* to clause (n) of sub-rule (2) of rule 7 of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 as amended, the Securities and Exchange Commission of Pakistan is pleased to extend the period for compliance by non-banking finance companies till June 30, 2010.”

[No. SCD/NBFC/NBFCR/2009.]

(Abdul Rehman Qureshi)
Advisor/Secretary

NBFC to report compliance.-Following is the text of SRO 944(I)/2009 dated October 29, 2009:-

“In exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), read with *proviso* to clause (k) of sub-regulation (7) of Regulation 37 and *explanation* to clause (p) of sub-regulation (1) of Regulation 58 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Securities and Exchange Commission of Pakistan is pleased to direct that all asset management companies shall now be required to report compliance to the provisions of the above mentioned Regulations upto June 30, 2010.”

[F.No. SCD/NBFC/NBFCR/2009] 969

(Abdul Rehman Qureshi)
Advisor/Secretary

Filing of Monthly Returns through Specialized Companies Returns System (SCRS)

Following is the text of SECP's Circular No. 01 of 2010 dated January 15, 2010:-

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. All statements currently being submitted to the NBFC Department at varying periodicities shall be replaced by a standardized monthly return. The details of the system and user manual are placed on the SECP website for your information and assistance. The orientation workshops regarding this system were conducted in December 2009 wherein the representatives from almost all the NBFCs had participated and the feedback received in this respect has been incorporated in the system.

2. As conveyed during the workshops, 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).

3. Therefore, in exercise of powers of the Commission under section 282D of the Companies Ordinance 1984, all the NBFCs are required to submit their monthly returns through the Specialized Companies Return System (SCRS) by the 10th of every month. However to facilitate the industry, all NBFCs will be allowed to submit their online returns by the 15th of every month for the first quarter of 2010 only. As such the first monthly return for the month of January 2010 through SCRS shall be submitted by 15th February 2010. All daily reports to NBFC Department shall be dispensed with immediately, while weekly statements shall continue to be submitted till the end of 1st quarter 2010.

4. All Companies are required to ensure meticulous compliance with this Circular in letter and spirit, failing which action will be taken in terms of applicable provisions of the Law.

(ShahidNasim)
Executive Director (NBFC)

Categorization of Open-End Collective Investment Schemes

Following is the text of SECP's Circular No. 16 of 2010 dated July 07, 2010:-

1. This Circular is in continuation of Circular 7 of 2009 dated March 6, 2009 requiring all Asset Management Companies ("AMC") to assign an appropriate category to open-end collective investment schemes ("schemes") under their management and to align the underlying investment portfolio accordingly.

2. It has been highlighted by certain AMCs as well as Mutual Funds Association of Pakistan ("MUFAP") that due to adverse market conditions the portfolio of a significant number of Schemes could not be aligned as per the investment criteria of the assigned category.

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3. In view of the difficulties faced by AMCs, the Commission has decided to prescribe specific disclosure requirements for the schemes which hold investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents. Therefore, in order to enable the investors to make a well informed decision, the Commission in exercise of the powers conferred under Section 282B(3) of the Companies Ordinance, 1984, hereby directs all AMCs to make the following minimum disclosures for open-end schemes which hold non-compliant investments.

(a). 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.”

(b). 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-complaint investments and Risk Factors.”

(c). Disclosure in the Fund Manager Report, Quarterly, Half-Yearly & Annual Financial Statements

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

<i>Name of non-compliant investment</i>	<i>Type of investment</i>	<i>Value of investment before provision</i>	<i>Provision held if any</i>	<i>Value of investment after provision</i>	<i>% of Net Assets</i>	<i>% of Gross Assets</i>

4. AMCs shall:

- i. 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.
- ii. 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.

- iii. ensure that a scheme which presently does not maintain the requisite cash and near cash investments as specified for the relevant category, complies with the said requirement by December 31, 2010. However, any fresh liquidity in the scheme shall first be utilized to meet the minimum cash requirements instead of making any other fresh investments. Notwithstanding the above, the Trustee of such 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.
5. 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.
6. 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.
7. This Circular shall come into force with immediate effect. In case of any clarification, AMCs, Trustees and MUFAP are advised to approach the Commission."

(Salman Ali Shaikh)
Commissioner (SCD)

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(pages 179 & 180 deleted due to updating)

NBFC Rules, 2003

Misc. Notes

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Categorization of Open-End Collective Investment Schemes

Following is the text of SECP's Circular No. 04 of 2011 dated March 10, 2011:-

This is further to Circular No. 7 of 2009 dated March 6, 2009 on "Categorization of open-end Collective Investment Scheme".

Pursuant to the promulgation of Securities (Leveraged Markets and Pledging) Rules, 2011 (the "Rules, 2011") whereby a new leverage product namely, Margin Trading has been introduced and considering that "Continuous Funding System (CFS)" has been discontinued, the Securities and Exchange Commission of Pakistan (the "Commission") in exercise of powers conferred under Section 282 B(3) of Companies Ordinance, 1984 read with Regulation 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby replaces the term "CFS" wherever appearing in Circular 7 of 2009 with the term "Margin Trading (MT)".

Accordingly, the open-end collective investment schemes which are allowed to take exposure in CFS in terms of Circular No. 7 of 2009 and their constitutive documents also permit to do so, may invest in MT in terms of the Rules, 2011.

This Circular shall come into force with immediate effect.

(Asif Jalal Bhatti)
Executive Director (SCD)

Reporting of Suspicious Transaction Reports (STRs)/ Currency Transaction Reports (CTRs) to Financial Monitoring Unit (FMU) under AML Act, 2010

Following is the text of SECP's Circular No. 01 of 2012 dated January 12, 2012:-

"In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984, read with Regulation 9 of Non Banking Finance Companies Notified Entities Regulation 2008, the Securities and Exchange Commission of Pakistan hereby issues the following instructions to NBFCs:-

- a) NBFCs, being "Financial Institutions" under the Anti-Money Laundering Act 2010, are required to submit Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs), as per Section 7 of the AML Act, 2010, to the Financial Monitoring Unit (FMU). The standard templates for STRs & CTRs are part of the AML Regulations 2008, issued under the AML Ordinance 2007 and protected under the AML Act, 2010.
- b) In this respect, NBFCs are advised to meticulously follow the requirements of the law, and report STRs and CTRs manually or electronically, as per Section 7 of AML Act, 2010, directly to the Financial Monitoring Unit (FMU).

- c) It may be noted that Section 33 of the AML Act 2010, inter alia specifically provides for criminal sanctions on failure to file above mentioned reports and for providing false information. Furthermore, in case any NBFC is found to be in violation of above legal requirements, the regulatory authority may also revoke its license or registration or take such other administrative action as it may deem appropriate.”

(Muhammad Ali)
Commissioner (SCD)

Minimum Requirements for Exchange Traded Funds to be managed by AMCs

Following is the text of SECP's Circular No. 15 of 2012 dated May 08, 2012:-

“In order to facilitate the launch of Exchange Traded Funds (ETFs) in Pakistan, the Securities and Exchange Commission of Pakistan (“the Commission”), in addition to 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 introduce a 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 and Acceptability of Index
- IV. Investment Restrictions
- V. Issuance and Redemption of Creation units
- VI. Pricing and Dealing
- VII. Authorized Participants
- VIII. Dealing of ETF units on the Stock Exchange
- IX. Dissemination of Information
- X. Fee and Expenses
- XI. Non applicability of Regulation 41(k), 57 and 58(1)(1) of the NBFC Regulations

I. Eligibility

A Non-Banking Finance Company licensed by the Commission to provide Asset Management Services, i.e. Asset Management Company (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, and ETF complies with all the requirements specified hereunder.

II. Definitions

- a) **Authorized Participant (“AP”)** means the market maker as defined in the Stock Exchange Regulations, and who is appointed by an AMC under the Authorized Participant Agreement.
- 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 A.
- 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 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 units** 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 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 APs only.
- g) **ETF unit** is a unit of open end scheme that tracks a benchmark index and is listed on 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) **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.
- k) **Tracking Error** means the difference between daily returns of an ETF and that of the underlying Benchmark Index for any given period.

Terms not defined here shall have the same meaning as assigned in the NBFC Rules, the NBFC Regulations, and Regulations of the Stock Exchanges.

III. **Name of Scheme and Acceptability of Index**

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 B to this Circular.
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.
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:

It shall:

- a) have clearly defined objective;
- b) be investible;
- c) appropriately reflect the characteristics of the relevant market or sector;
- d) be able to fairly price movements of its component securities, and change the composition and weightings of the component securities;
- e) be broadly based and be sufficiently liquid with no one component security constituting more than 20% of the total value of the ETF. However, such limit on an individual scrip shall not apply in case of well recognized indices;
- f) be transparent, shall conveniently be accessible by investors and published in an appropriate manner; and
- g) be based on securities listed and traded on a stock exchange in Pakistan.

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.

4. 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.
5. The Commission may withdrawn registration of an ETF if its index no longer complies with the requirements of above stated clause 3.
6. 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 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.

IV. Investment Restrictions in an ETF

7. 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.
8. 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.
9. AMC shall ensure that per party, per group and sector exposure limits and restrictions in relaxation to the securities held by the 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.
10. 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.

V. Issuance and Redemption of Creation units

11. 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.
12. 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.
13. 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.
14. 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.
15. 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.

16. 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.

VI. Pricing and Dealing

17. AMC shall issue or redeem Creation units only at the NAV calculated in accordance with the Constitutive Documents.
18. 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.
19. AMC shall ensure that the INAV per unit and the end of day NAV per unit are calculated on the basis of 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.
20. 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.
21. 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.
22. The Trustee of an ETF shall ensure that issuance and redemption of Creation units is done on historic pricing basis 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.

VII. Authorized Participants

23. AMC shall ensure that the AP has sufficient resources and capabilities to satisfactorily fulfill its role and obligations and comply with the requirements on an ongoing basis.
24. AMC shall ensure that the ETF has at least one 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 AP and for active market making in ETF units.

VIII. Dealing of ETF Units on the Stock Exchange

25. 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.

26. 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.
27. 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.
28. Trading in ETF units on the exchange may continue during the period of suspension of issuance and redemption of ETF units.
29. 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.

IX. Dissemination of Information

30. AMC shall ensure that information as stated 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:

Component	Frequency	Measured
ETF Market price	Real Time	Per unit
INAV	Current with regular interval	Per unit
Net Asset Value	Last day	Per unit
Units Outstanding	Last day	No of units
Accumulated Dividend	Last day	Per unit
Total Cash Component	Last day	Per creation unit
Benchmark Index	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.
31. 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.
32. 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.

X. Fees and Expenses of ETF

33. 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.

34. AMC shall ensure that all expenses chargeable to the ETF are properly and clearly disclosed in the Constitutive Documents.

XI. Non-Applicability of Regulation 41(K), 57 and 58(1)(1) of the NBFC Regulations

35. The following requirements of the NBFC Regulations shall not apply in the case of an ETF:
- a) 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;
 - b) The requirements and procedures for open-end schemes as specified under Regulation 57, except for sub-regulation (1) of the said Regulation; and
 - c) The prohibition under Regulation 58(1)(1), from issuance of units for consideration other than cash, in case of in-kind issuance of Creation units of an ETF.
36. The Commission may, from time to time, specify additional requirements or such other conditions as it may deem fit.

Muhammad Ali
Commissioner (SCD)

Annexure A

Minimum Contents to be covered in Authorized Participant (AP) Agreement

AP agrees to act as a market maker of the Fund (the EFT) and the Asset Management Company (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) Conditions where Bids and Offers can be withdrawn by AP (such as at upper & lower caps);
- (vi) Fees (if any), and disclosure on charging of fee;
- (vii) Notification to AP by AMC for charges 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);
- (xv) Signatories to the Agreement and Witnesses.

Annexure B

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 basis 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

- (vi) Role, Duties and Responsibilities of Authorized Participants;
- (vii) Names and Contact information of Authorized Participants; and
- (viii) Salient features of Authorized Participant Agreement.

Benchmark Index

- (ix) Profile of Benchmark Index;
- (x) Constituent of Benchmark Index;
- (xi) Circumstances under which Benchmark Index of ETF may change;
- (xii) Disclosure of Risk Factors related to Benchmark Index;
- (xiii) Constituents of Benchmark Index and weightages 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;
- (xiv) Frequency with which benchmark index composition reviewed;
- (xv) Means by which investors may obtain the latest benchmark index information and other important news of the index; and
- (xvi) Target tracking error.

Offer/ Redemption of Units

- (xvii) Offer of units during Pre-Listing phase (Initial Offer);
- (xviii) Offer of units in Post-Listing phase;
- (xix) Procedure of In Kind Creation;
- (xx) Procedure of In-Kind Redemption; including monetary and time cost to the investor, and policy for partial shares;

- (xxi) Procedure of Trading of ETF units on exchange;
- (xxii) Timeline for issuance and redemption of Creative Units; and
- (xxiii) Frequency and Notification of change in Portfolio Deposit.

INAV

- (xxiv) Calculation Methodology of INAV
- (xxv) Mode and frequency of dissemination of INAV; and
- (xxvi) Entity responsible for transmitting INAV.

Warnings / Risks

- (xxvii) 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;
 - (xxviii) 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;
 - (xxix) Circumstances that may lead to tracking errors and the related risks, and strategies employed in minimizing such errors;
 - (xxx) A warning that benchmark index composition may change and underlying securities may be delisted;
 - (xxxi) 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;
 - (xxxii) A warning of lack of discretion to adapt to market changes due to 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;
 - (xxxiii) 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
 - (xxxiv) any other information which is relevant and material for investors to make an informed investment decision.”
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Additional disclosures for WWF liability by Collective Investment Schemes (CIS).

Following is the text of SECP's Circular No. 17 of 2012 dated June 05, 2012:-

"1. Pursuant to an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) in year 2008, Collective Investment Schemes (CIS) were brought within the scope of the 'WWF Ordinance, this rendering them liable to pay contribution to WWF. However, CIS through their trustees have challenged the said applicability of WWF to CIS before the Honorable High Court, which is pending adjudication.

2. It has been observed that owing to the pending litigation regarding applicability of WWF to CIS, different practices are being followed by Asset Management Companies (AMCs) with regard to WWF liability. Certain AMCs are maintaining the requisite provision against WWF liability of CIS whereas others have not made any provision to this effect. Irrespective of the practice adopted by an AMC, in case the decision of the Honorable Court is against the current approach being followed by an AMC, it may adversely impact the existing or redeeming and potential unit holders of the CIS. Therefore, maximum possible disclosure of this fact is imperative in the larger interest of the stakeholders of CIS.

3. Although, AMCs are already making sufficient disclosure in the financial statements of CIS, additional disclosures regarding contingent WWF liability and its impact on the NAV and return of the CIS should also be provided in the monthly fund manager's reports, advertisements and offering documents of the CIS. Therefore, the Commission, in exercise of its powers under section 282D of the Companies Ordinance 1984 hereby directs all the AMCs to immediately make the following disclosures in the Fund Manager Report of CIS and in the advertisement containing NAV/return of the CIS being managed by them:

a) Where requisite provision is being maintained against the WWF liability:-

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

b) 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."

The CIS shall also give additional risk disclosure with regard to WWF liability in its Offering documents under the heading "Risks".

4. This direction shall come into force with immediate effect and all the AMCs are required to ensure meticulous compliance in letter and spirit. Any violation/circumvention of this direction shall be dealt with in accordance with the relevant provisions of the Companies Ordinance, 1984."

Procedure for convening meeting of the Unit Holders of Open end and Close End Collective Investment Schemes

Following is the text of SECP's Circular No. 19 of 2012 dated June 11, 2012:-

“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:-

- (i) Whenever required to do so by the Commission in the interest of the unit holders; or
- (ii) 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 Commission, in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 41(q) of the Regulations, prescribes the following procedure for convening meeting of the unit holders of a scheme.

General

1. Asset Management Company (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.

Notice of Unit Holders' Meeting

2. 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 A) 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.
3. 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.
4. 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.
5. 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.

Proxy Forms

6. Unit holders of CIS shall submit filed 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.

7. Proxy Form shall be witnessed by two persons with their names, addresses and CNIC numbers duly mentioned on the proxy form.
8. 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.
9. Proxy forms must be received by the AMC one day prior to the meeting.
10. AMC shall affix receiving stamp (mentioning date and time) and signature on each proxy form.
11. Proxy form shall not be accepted in case the unit holder has opted to vote by post.

Voting by Post

12. Unit holder(s) desiring to vote by post, instead of physical presence in the meeting may fill up and complete the voting paper (Annexure A) and send it to the Trustee.
13. 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. Original voting paper should reach the trustee of CIS not later than one day prior to the meeting for consideration by the trustee.
15. 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.

Proceedings of Unit Holders' Meeting

16. Only those unit holders shall be eligible to attend and vote at the meeting whose names appear in the unit holders' registrar of the concerned scheme on the date immediately preceding the date of the unit holders' meeting.
17. An AMC or Registrar/ Transfer Agent ("R/TA") shall record attendance of all the unit holders/ 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.
18. 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 holders(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.
19. After completing and signing the voting paper, each unit holder shall submit duly filled and signed voting papers.
20. AMC or its R/TA shall count the voting papers, verify contents on voting paper including unit holding and shall perform signature verification.
21. Trustee shall scrutinize and consolidate the data including the details complied by it on the basis of the voting paper received by post.
22. 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.

Criteria for Rejection of Proxy/Voting Papers

23. The following are the basic criteria for rejection of Proxy / Voting Papers in meeting:
- More than one Voting Paper is cast by a single unit holder/ Proxy holder.
 - Overwriting / cutting on Voting Paper
 - Unsigned Voting Paper
 - Signature of unit holder affixed on proxy form does not match with the specimen signature available in the AMC or its R/TA records.
 - 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.
 - Photocopy of CNIC is not provided by Proxy holder.
 - Proxy forms are not witnessed by two persons mentioning their names, addresses and CNIC numbers.
 - Proxy form is received after the given time limit, i.e. not one day prior to the meeting.
 - 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.
 - Overwriting / corrections on Proxy Form which are not supported by unit holder's/ Proxy holder's signature.

Others

24. Minutes of the meeting of unit holders shall be prepared and signed jointly by the trustee and the AMC of the scheme.
25. 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.
26. All expenses incurred in convening unit holder's meetings shall be charged to the CIS.
27. 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-A**Sample Voting Paper for voting through post**

Unit Holder's meeting

Date:

Time:

Place:

Name of Unit Holder: _____

Folio/Account/CDS Account # of Unit Holder:

No of unit held:

INSTRUCTION FOR VOTINGPLEASE INDICATE YOUR VOTE BY SIGNING THE RELVANT BOX OF THE
SELECTED OPTION

1. IN FAVOUTOF RESOLUTION:

2. AGAINST RESOLUTION:

Annexure-B

Sample Voting Paper for unit holders who are physically present in the	
Unit Holder's meeting Date: Time: Place:	
Name of Unit Holder: _____ Folio/Account/CDS Account # of Unit Holder: No of unit held: _____ Voting as unit holder: _____ No of Units: _____ Voting as proxy: _____ No of Units: _____ Total _____	
<u>INSTRUCTION FOR VOTING</u> PLEASE INDICATE YOUR VOTE BY SIGNING THE RELVANT BOX OF THE SELECTED OPTION	
1. IN FAVOUTOF RESOLUTION:	
2. AGAINST RESOLUTION:	

Restriction on sharing of management fee by AMCs with Unit holders

Following is the text of SECP's Circular No. 20 of 2012 dated June 11, 2012:-

The practice of sharing management fee earned by Asset Management Companies (AMCs) on Collective Investment Scheme (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. Upon deliberation of this issue and considering the feedback of Mutual Funds Associations of Pakistan (MUFAP), the Commission in exercise of powers conferred under section 282D of the Companies Ordinance 1984, hereby directs all AMCs to comply with the following instructions:-

- a) 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

- b) 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. unit holders of a CIS), the AMC shall immediately report the same to MUFAP which may consider cancellation of registration of such distributor.

This direction shall come into force with immediate effect and all the AMCs are required to ensure meticulous compliance in letter and spirit. Any violation/ circumvention of this direction shall be dealt with in accordance with the relevant provision of the Companies Ordinance 1984.”

Filing of Semi Annual Returns by the NBFCs Regarding Information on Related Party Exposure:-Following is the text of SECP’s Circular No. 29 of 2012 dated September 12, 2012:-

“Securities and Exchange Commission of Pakistan (SECP) has devised formats for standardized periodic reporting of information by the NBFCs pertaining to their exposure in related party(ies). The term related party would carry the same meaning as defined in International Accounting Standard-24, adopted in Pakistan.

2. Therefore, in exercise of the powers of the Commission conferred under Section 282D of the Companies Ordinance, 1984, all the NBFCs are required to submit the information as per the attached formats on six monthly basis. The information shall be submitted in a manner that for the period ended on 30th day of June every year, the information should be submitted to SECP by the following 30th day of September while for the period ended 31st day December every year the information should be submitted to SECP by the following 31st day of March. However, the first reporting of information by the NBFC shall be made by 31st day of October 2012 for the period ended on 30th day of June 2012. If the NBFC does not have any exposure in the related party(ies), the NIL statements should be filed accordingly.

3. The information is required to be submitted in soft form (in MS Excel) through email to ahmer.fareedi@secp.gov.pk and aqureshi@secp.gov.pk. Soft copy of the referred formats will be sent to all the entities through email for their ease.

4. All Companies are required to ensure meticulous compliance with this circular in letter and spirit, failing which action will be taken in terms of applicable provisions of the law.”

(forms not reproduced here due to sake of brevity)

Call for information of exposure of insurers in related party:-Following is the text of SECP’s Circular No. 30 of 2012 dated September 12, 2012:-

“Reference subject, it has been noted that in past few years, the financial markets in Pakistan have witnessed structural changes in the traditional financial operators in the insurance, banking and investment companies. The removal of barriers to entry, acquisitions, functional integration and diversification through mergers amongst banking and non-banking finance companies, including the insurers, have led many organizations to open wide

array of subsidiaries and affiliates, primarily engaged in businesses other than their core business.

2. Cognizant of its regulatory responsibilities and to safeguard the systemic risks associated with financial conglomerates to various parts of financial sector, the Securities and Exchange Commission of Pakistan (SECP) is identifying the conglomerates involving banks, DFIs and NBFCs, including insurers, while mapping their ownership structures, capital adequacy, intra-group and overall exposures to the financial sector, for better supervision.

3. The formats have been prepared for standardized periodic reporting of information by the insurers pertinent to their exposure in a related party, as part of financial conglomerates, to SECP after every six months, on the prescribed formats (Excel Sheets) which will be sent to every insurer through e-mail. The term related party has the same meaning as defined in the Companies Ordinance, 1984 and as given in International Accounting Standard –24, adopted in Pakistan.

4. In exercise of the powers conferred under Section 61 of the Insurance Ordinance, 2000, it is hereby required from all insurers to submit the information required in the attached formats after every six months of the calendar year. The information shall be submitted in a manner such that for the period ended on 31st day December every year the information should be submitted to SECP by the following 31st day of March and for the period ended on 30th day of June every year the information should be submitted to SECP by the following 30th day of September. This Circular is effective from the date of its issuance and the first reporting of information by insurers shall be made by 30th day of November 2012 for the period ended on 30th day of June 2012. The insurers having no exposure in related parties shall submit a report marked as nil.

5. The information is required to be submitted through email to obaid.rehman@secp.gov.pk and shamsudin.memon@secp.gov.pk. The insurers may acquire soft copy of the referred formats by sending requests at the emails mentioned above.

All insurers are hereby advised to note the above contents for due compliance.”

(forms not reproduced here due to sake of brevity)

Categorization of Open-End Collective Investment Schemes:-Following is the text of SECP’s Circular No. 32 of 2012 dated October 18, 2012:-

“In continuation of Circular No. 7 of 2009 dated March 6, 2009 wherein categorization of open-end collective schemes has been prescribed, the Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of its powers conferred under Section 282B(3) of the Companies Ordinance 1984 read with Regulation 55(2) and 58(2) of the NBFC and Notified Entities Regulations, 2008 (the “Regulations”), is pleased to allow a new class of collective investment scheme to be categorized as a “commodity scheme” subject to the following minimum requirements:

A. Investment Parameters:

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.
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. 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.).
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 deliverable futures contract.
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, 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.
6. For the purpose of the earmarked cash/ assets, an AMC may invest the amount in the following manner:
 - I. In cash and near cash instruments which include cash in bank accounts (excluding TDR), treasury bills and money market scheme.
 - 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.
7. AMC shall not sell commodity futures contract on behalf of the scheme without pre-existing interest of the commodity scheme.

B. Miscellaneous Requirements

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.
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.
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.

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.
12. AMC shall not enter on behalf of a commodity scheme (or Shariah complaint commodity scheme), into transactions with any broker that exceed twenty percent of the commission payable by the scheme in any one accounting year.
13. Any incidental charges incurred in respect of the commodities may be charged to the commodity scheme with the approval of the Commission.
14. An Islamic commodity scheme shall invest only in Shariah complaint assets.
15. The commodity scheme shall be liable to pay to the Commission a monitoring fee of 0.075% per annum of its assets in line with the fees prescribed in the Regulations for money market schemes.

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.

In case of any clarification with respect to this circular, AMCs, trustee of a scheme or MUFAP shall approach the Commission.

This Circular shall come into force with immediate effect.”

Replacement of Annexure I and II of Circular No. 1 of 2009:- Following is the text of SECP’s Circular No. 33 of 2012 dated October 18, 2012:-

“The securities and Exchange Commission of Pakistan (“the Commission”) vide Circular No. 1 of 2009 dated January 06, 2009 along with Annexure I and II, had prescribed the valuation methodology and provisioning criteria for debt securities held by Collective Investment Scheme (CIS). Subsequently, certain clarifications in respect of Annexure I and Annexure II of Circular No. 1 of 2009 were issued on March 06, 2009 and January 20, 2010 vide Circular No. 6 of 2009 and Circular No. 3 of 2010, respectively.

Considering the issue faced by Asset Management Companies (AMCs), the Mutual Fund Association of Pakistan (“MUFAP”) proposed certain amendments in the above said Circulars for consideration of the Commission. The amendments suggested by MUFAP, have been reviewed by the Commission and in exercise of the powers of the Commission conferred under Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 66(b) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Annexure I and Annexure II of Circular No. 1 of 2009 shall stand replaced with the revised Annexure I and II as enclosed with this Circular. Further, Circular No. 06 of 2009 and Circular No. 3 of 2010 dated March 06, 2009, and January 20, 2010, respectively, stand replaced.

All other requirements stipulated under the Circular No. 1 of 2009 shall remain unchanged.

In case of any clarification with respect to this circular, all the AMCs and MUFAP shall approach the Commission for this purpose.

This circular shall come into force with immediate effect.”

(Annexure I and II see page V-144)

Categorization of Open-End Collective Investment Schemes:-Following is the text of SECP's Circular No. 09 of 2013 dated June 11, 2013:-

“This is further to Circular No. 7 of 2009 dated March 6, 2009 and Circular 32 of 2012 dated October 18, 2012 on “Categorization of open-end Collective Investment Schemes. the Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(2) and 58(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby makes the following amendments in the investment parameters as prescribed by circular No. 07 of 2009 of open-end schemes categorized as Balanced Scheme and Asset Allocation Scheme:--

- i. A Balanced Scheme and an Asset Allocation Scheme shall be eligible to invest in exchange traded commodity future contracts.
- ii. At least 10% of the net assets of an Asset Allocation Scheme and Balanced Scheme 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.
- iii. A Balanced Scheme may invest upto 60% of its net assets in exchange traded commodity future contracts.
- iv. 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.

All the other requirements stipulated under the circular No. 07 of 2009 will remain unchanged.

This Circular shall come into force with immediate effect.”

Sale of units of Collective Investment Schemes:-Following is the text of SECP's Circular No. 23 of 2013 dated December 06, 2013:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with the Regulation 38 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby directs all Asset Management Companies (AMCs) to comply with the following in respect of sale of units of Collective investment Scheme (CIS):-

1. An AMC shall not involve, directly or indirectly in the mis-selling of units of CIS.
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.
3. An AMC shall take reasonable care to ensure suitability of a CIS to an investor before sale of units of the CIS.

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.
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.

This Circular shall come into force with immediate effect. 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 provisions of the Companies Ordinance 1984.”

Requirements for Delegation of Functions by Asset Management Companies in relation to Collective Investment Scheme:-Following is the text of SECP’s Circular No. 24 of 2013 dated December 06, 2013:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of the powers conferred under Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 38(c) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby prescribes the requirements for delegation of any functions (excluding distribution function) by an Asset Management Company (AMC). The requirements for delegation of functions by AMCs encompass the following:

- A. Definitions
- B. General
- C. Responsibilities of Board of Directors and Senior Management
- D. Risk Management and Controls
- E. Service Level Agreement (SLA) with Service Provider
- F. Confidentiality of clients
- G. Regulatory Obligations

(A) Definitions

Service Provider means a company to whom functions related to Collective investment Scheme (CIS) are delegated by an AMC.

(B) General

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.
2. An AMC shall ensure that a function delegated to a service provider is not sub-delegated by such service provider to another party.
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.

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.
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.

(C) Responsibilities of Board of Directors and Senior Management

6. 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.
7. 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 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;
8. 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.
9. 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.

(D) Risk Management and Controls

10. 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. 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.
12. 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 delegated.
13. 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).

(E) Service Level Agreement (SLA) with Service Provider

14. 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.
15. 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.
16. An AMC shall ensure that the SLA stipulated 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.
 17. 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.
 18. 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.
 19. 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.

(F) Confidentiality of Clients

20. 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).
21. 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.
22. An AMC shall review the service provider's security policies, procedures and controls to ensure protection of confidentiality and security of clients' information.

(G) Regulatory Obligations

23. 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.
24. 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.
25. 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.
26. 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.
27. 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.
28. 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
29. 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.

30. This Circular shall come into force with immediate effect and all AMCs are required to ensure its meticulous compliance in letter and spirit. Any AMC which has outsourced any function prior to coming into force of this Circular, shall report such delegation of functions in accordance with the requirements of clause 28 of this Circular within three month from the date of issuance of this circular. Further, it shall conduct an assessment of its existing delegation of function arrangements not later than six months from the date of issuance of this circular and bring them in line with the requirements of the Circular.”

Placement of constitutive documents of Collective Investment Schemes by Asset Management Company on website:-Following is the text of SECP’s Circular No. 14 of 2014 dated June 05, 2014:-

“The Commission, in exercise of its powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all asset management companies (AMCs) to place the approved constitutive documents of all the collective investment schemes under their management on their respective websites.

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 documents 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 upto DD/MM/YY”.

All AMCs are advised to ensure compliance within three months of issuance of this direction. Any violation/ circumvention of this direction shall be dealt with in accordance with the relevant provisions of the Companies Ordinance, 1984.”

Requirements for Asset Management Companies to Advertise Open End Collective Investment Schemes:-Following is the text of SECP’s Circular No. 16 of 2014 dated July 02, 2014:-

“In pursuance of Regulation 54(4) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”), all advertisements of an Open-end Collective Investment Scheme (CIS) shall be in conformity with the requirements specified by the Commission.

Therefore, the Commission, in exercise of the powers conferred under section 282B(3) of the Companies Ordinance 1984 read with Regulation 54(4) of the Regulations, specified the following advertisement requirements for a CIS.

Scope

For the purpose for this circular, an advertisement is any material (“advertisement”) published or designed to be published by an Asset Management Company (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 recipient 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, newsletter (including Fund Manager Reports-FMRs), brochures, fact sheets, or pamphlets, sound broadcasting, film or television commercials, standees, web advertisements (covering online advertisements, social medial 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.

General Principles:

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. 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.
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.
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.
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.
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.
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.

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

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.

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.

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.

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.

Performance Presentation:

13. An AMC shall ensure that the performance date 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.

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

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	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			

<i>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)</i>			
<i>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)</i>			

15. 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.

16. An AMC may also publish performance data of a CIS vis-à-vis 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 (except for newspaper, or social media advertisements) and shall include a statement that performance data does not include the cost incurred directly by an investor in the form of sales loadstetc:

- i. 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);
- ii. 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, where as absolute for others); and
- iii. 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).

17. 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.

18. 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.

19. 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.

20. 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.

21. 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).

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

Comparisons with peer group averages:

28. An AMC shall ensure that in case of comparison of a CIS with peer group averages, such comparison shall be made with CIS (i) belonging to the same category; and (ii) 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.

Changes to a CIS:

29. 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.

30. An AMC shall ensure that if a CIS is restructured (e.g. change in category or authorized investment), 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.

31. 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.

Disclaimers and Notes to investors:

32. An AMC shall ensure that the advertisements/ Offering documents shall contain the disclaimers as specified in Annexure I.

33. 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.

34. 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.

35. 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 CISs, where appropriate.

36. 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.

Rules applicable to Radio, Television, Cinema, Hoardings: and Bill Boards

37. 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):

- i. 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.
- ii. 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.

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

- i. 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.

Incidental Features

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

- i. 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;
- ii. 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
- iii. 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.
- iv. An AMC shall not advertise gifts or lucky draws to solicit investment in the CIS.

Tax Credit and other benefits:

40. An AMC shall ensure that the advertisement relating to tax credit on investment in CIS shall use the format specified in Annexure II.

41. 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.

42. 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.

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

This circular shall come into force with immediate effect and 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 Asset Management Companies.”

(Annexure)

“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 لئے آفرنگ دستاویزات 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 لئے 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 Fund:

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;

Disclaimer 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-complaint open end schemes:

If a CIS is not complaint 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-complaint investments. Before making any investment decision, investors should review the latest monthly Fund Manger Report and Financial Statements.”

Additional disclaimer regarding contingent WWF liability

In case the AMC give 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 II

The schedule mentioned below illustrates the tax credit which can be obtained at various income levels give 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	”

Mandatory Certification for the Professionals of Capital Market:- Following is the text of SECP’s Circular No. 09 of 2015 dated April 08, 2015:-

“In order to develop human capital in the financial markets and building investor confidence by enhancing professional competence of individuals working in these markets, the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under Section 40(B) of the Securities and Exchange Commission of Pakistan Act, 1997, directs the following to ensure compliance with the below mentioned requirements:-

2. (A) For Leasing Companies and Investment Finance Companies

- i. All existing professionals employed by the brokerage houses who are engaged in the following activities related to securities shall obtain Pakistan Markets and Regulation Program (PMR) and Fundamentals of Capital Market (FCM) certifications currently being offered by Institute of Capital Market (ICM) within 18 months of issuance of this circular:-
 - a. Sale and marketing – those interfacing and advising clients to buy, sell or hold listed and traded instruments;
 - b. Customer relations – those interacting with the clients for account opening including completion of KYC formalities, etc.;
 - c. Research Analysts carrying out fundamental and technical analysis, whether it is made public or not;
 - d. Trading – traders receiving and / or executing client's or proprietary orders;
 - e. Risk Management – those managing both the company and client risks;
 - f. Settlements – working in the back office including those interacting with depository and clearing company, and managing client accounts; and
 - g. Compliance – those engaged in ensuring compliance with the all applicable capital market regulatory framework.
- ii. In addition to above certifications, all existing professionals engaged or employed by brokerage house for sales function i.e. advising the clients about investments shall obtain Stock Broker Certification (SBCC) currently being offered by ICM by December 31, 2016.
- iii. All new professionals joining brokerage house after the date of the issuance of this circular and engaged in the activities as stated above shall obtain PMR and FCM certification within 12 months of their joining. However, if a new professional is engaged in sales function of brokerage house i.e. advising the clients about investments, he/she shall obtain SBC in addition to PMR and FCM certification within 12 months of their joining.

(B) For Registered Exchange, Depository, Clearing company

- i. All existing professionals employed by Exchanges, Depository or Clearing company for the following activities shall obtain Pakistan Markets and Regulation Program (PMR) and Fundamentals of Capital Market (FCM) certifications of ICM within 18 months of the issuance of this circular:-
 - a. Customer relations – those interacting with the clients for account opening including completion of KYC formalities, etc.;
 - b. Risk Management – those managing both the business and client risks;

- c. Clearing & Settlements – those responsible for clearing and settlement;
 - d. Compliance – those engaged in ensuring compliance with the all applicable capital market regulatory framework;
 - e. Trustee & Custodian Services – those engaged in providing trustee and custodian services.
- ii. All new professionals joining Exchanges, Depository or Clearing company after the date of the issuance of this circular, and performing activities referred in para 2(B)(i) above, shall obtain PMR and FCM certifications within 12 months of their joining.
3. Professionals desirous of availing certification through grandfathering provision should approach ICM for details and this provision will lapse after December 31, 2015.
 4. All above referred shall ensure that their employees who obtain certification through exam or grandfathering shall comply with all certification requirements.
 5. All the professionals working with or working for the aforesaid entities in respect of above defined activities shall comply with the applicable mandatory certification requirement. It shall be responsibility of entities to ensure compliance of above requirements by any third party to whom any of the above mentioned function or activity has been delegated.

This circular will supersede earlier Circular No. 34 of 2009 dated October 30, 2009. This Circular shall come into force with immediate effect and all above referred entities are required to ensure its meticulous compliance in letter and spirit.”

Mandatory Certification for the Professionals of NBFCs:- Following is the text of SECP’s Circular No. 11 of 2015 dated April 13, 2015:-

“1. In order to develop human capital in the financial markets and building investor confidence by enhancing professional competence of individuals working in these markets, the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under Section 282B(3) of the Companies Ordinance, 1984, directs the Non-Banking Finance companies (NBFCs) to ensure compliance with the below mentioned requirements:-

(A) For Leasing Companies and Investment Finance Companies

- i. All existing employees of these NBFCs who are engaged in the following activities related to securities shall obtain Pakistan Markets and Regulations Program (PMR) and Fundamentals of Capital Market (FCM) certifications currently being offered by ICM within 18 months of issuance of this circular:-
 - a. Investment Management:- those managing the portfolio of securities including all members of investment committees;
 - b. Operations and settlement:- those responsible for execution and settlement for trades in securities;
 - c. Research:- those carrying out fundamental analysis of all existing and potential investment in securities;

- d. Compliance:- those responsible for ensuring compliance with applicable securities business regulatory requirements; and
- e. Risk:- those responsible to ensure that securities investments are within a desirable level of risk.
- ii. All new employees joining these NBFCs after the date of the issuance of this circular and engaged in the activities as stated above shall obtain PMR and FCM certification within 12 months of their joining.

(B) For Asset Management Companies, Pension Fund Managers and Investment Advisors.

- i. 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 ICM by June 20, 2016:-
 - 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.
- ii. In addition to above certifications, all existing professionals engaged in or employed by these NBFCs for sale of collective investment schemes or pension funds with or for an NBFC shall obtain the Mutual Fund Distributors Certification (MFDC) currently being offered by ICM within 18 months of issuance of this circular.
- iii. All new professionals joining these NBFCs or a third party engaged by these NBFCs for any of the above referred function or activity; after the date of the issuance of this circular, and performing activities referred in para 2(B)(i) above, shall obtain PMR and FCM certifications within 12 months of their joining. However, if a new professional is engaged in sale of collective investment schemes or pensions funds, he/she shall obtain MFDC in addition to PMR and FCM certification within 12 months of his/her joining.
- 2. Professionals desirous of availing certification through grandfathering provision should approach ICM for details and this provision will lapse after December 31, 2015.
- 3. NBFCs shall ensure that their employees who obtain certification through exam or grandfathering shall comply with all certification requirements.

4. 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.
5. This circular will supersede earlier Circular No. 35 of 2009 dated October 30, 2009. This Circular shall come into force with immediate effect and all above referred NBFCs are required to ensure its meticulous compliance in letter and spirit.”

Guidance on Compliance of Government of Pakistan’s Notifications issued under United Nations Security Council (UNSC) Resolution 1267:- Following is the text of SECP’s Circular No. 15 of 2015 dated April 27, 2015:-

“in exercise of the powers conferred under Section 282B(3) of the Companies Ordinance, 1984, read with Regulation 9 of the Non-Banking Finance Companies and Notified Entities 2008, the Securities and Exchange Commission of Pakistan hereby issues following guidance on compliance of Government of Pakistan’s Notifications issued under United Nations Security Council (UNSC) Resolution 1267:-

1. The United Nations Security Council (USNC) Committee, established pursuant to resolutions 1267 (1999) and subsequent resolutions, concerning Al-Qaida and associated individuals and entities approves the addition, amendments and deletion in the Consolidated List of individuals and entities subject to the sanctions covering assets freeze, travel ban and arms embargo set out in Security Council resolutions adopted under Chapter VII of the Charter of the United Nations.

2. The Government of Pakistan under the United Nations (Security Council) Act, 1948 gives effect to the decisions of UNSC whenever the Consolidated List maintained by the Sanctions Committee is updated. The Ministry of Foreign Affairs issues Statutory Regulatory Orders (SROs) to provide legal cover for implementing sanction measures under Security Council Resolutions. The Consolidated Lists available at the UN Sanctions Committee’s website, are regularly updated and can be accessed at the following links:

www.un.org/sc/committees/1267/aq_sanctions_list.shtml

<http://www.un.org/sc/committees/1988/list..shtml>

3. These SROs / Notifications in respect of listed individuals /entities require financial institutions to implement assets freeze, travel ban and arms embargo in accordance with the Security Council Resolutions as under:

“Freeze without delay the funds and other financial assets or economic resources of listed individuals and entities, including funds derived from property owned or controlled directly or indirectly”.

4. Pursuant to UNSC Resolutions, credit payments in such frozen accounts are permitted, so long as the additional amounts are also subject to the assets freeze. The Government of Pakistan has already prescribed penalty up to Rs. 10 million for non-compliance of sanctions regime being implemented through SROs under the UN (Security Council) Act, 1948.

5. Securities and Exchange Commission of Pakistan (SECP) circulates the subject SROs/Notifications to its regulated entities for taking necessary action with the advice to report details of such frozen assets and other action, taken in compliance with the relevant SRO to SECP within the stipulated time.
6. All-Banking Finance Companies are advised to regularly access the aforesaid Consolidated Lists to ensure compliance with measures in para 3 above in line with the UNSC resolutions. The updated Consolidated List should be accessible by the regulated entity, which will be checked by SECP during the course of inspection.
7. All Non-Banking Finance Companies may also educate their customers that in case of any wrongful or inadvertent freezing, they may apply in writing for de-listing to Government of Pakistan through relevant Ministry or to the UN's Ombudsman, as the case may be.
8. For further information, regulated entities may access relevant information / documents from the UNSC website."

Requirements for constant proportion portfolio insurance (CPPI) based collective investment schemes:- Following is the text of SECP's Circular No. 18 of 2015 dated May 15, 2015:-

"The Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with the Regulation 38(n) and 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby directs all Asset Management Companies (AMCs) to comply with following requirements in respect of Collective Investment Schemes (CIS) under their management, based on Constant Proportion Portfolio Insurance (CPPI) methodology or an modified version of such methodology.

1. An AMC shall ensure that the maximum Multiplier (i.e. multiple of Cushion Value available for investment in risky assets including equity instruments as per the CPPI methodology, as may be defined in CIS offering documents) used to arrive at exposure in risky assets including equity does not exceed the following limits in relation to the Cushion Value Percentage (i.e. (Portfolio Value – Bond Floor)/Portfolio Value):

Cushion Value Percentage	Maximum Multiplier
0% - 2.5%	0
2.6% - 5%	2
5.1% and greater	4

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.

2. The CIS which are currently using more than the above maximum Multiplier shall comply with the above-mentioned requirements within 120 days from the date of issuance of this Circular as per following:
 - i. The Multiplier used by the AMC for each CIS shall not exceed the current level of Multiplier being used.

- ii. The equity portfolio of the CIS shall be realigned on a diminishing basis.
3. The AMC shall exercise prudence while ensuring compliance with the Circular and taking into consideration the long-term interests of the unit holders of Fund of Funds (where applicable) and those of the underlying CIS.
4. 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 2% decline in Portfolio Value of the CIS from the previous rebalancing or on weekly basis, whichever falls earlier.
5. 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.

6. 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.
7. 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.
8. In case of Fund of Funds based on CPPI methodology, the AMC 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.
9. An AMC shall submit a weekly report to the Commission as per Annexure 1 regarding all CIS based on CPPI methodology.
10. Any non-compliance will be dealt in accordance with prevalent regulatory framework.”

Annexure 1

Weekly Report on CPPI Funds (to be submitted by COB Friday)

AMC	Fund Name	Net Assets of Fund	Exposure to equity / equity fund	Exposure to fixed income securities / income fund	Cushion Value (%)	Multiplier	Multiplier range during the week	Maximum Multiplier used since May 15, 2015	Yield used to calculate bond Floor”

Clarification of Regulation 58(1)(d) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008:- Following is the text of SECP's Circular No. 19 of 2015 dated May 15, 2015:-

“The Securities and Exchange Commission of Pakistan in exercise of powers conferred under Section 282(B)(3) of the Companies Ordinance, 1984, hereby issues following clarification with respect to regulation 58(1)(d) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (Regulations):-

- i. Equity and equity oriented schemes (i.e. equity, balance and asset allocation schemes) shall be eligible to invest in units of Real Estate Investment Trusts provided that entity / sector / group exposure limits as prescribed in the Regulations are complied with.”
-

Allocation of net asset value on receipt of applications for investment in mutual funds:- Following is the text of SECP's Direction No. 02 of 2015 dated July 08, 2015:-

"It has been observed that different practices prevail among the Asset Management Companies (AMCs) for allocation of Net Asset Value (NAV) on receipt of applications for investment in mutual funds. In order to bring uniformity with respect to allocation of NAV at the time of investment, the Securities and Exchange Commission of Pakistan ("Commission"), in exercise of its powers conferred under section 282D of the Companies Ordinance 1984 hereby directs the AMCs to comply with the following in respect of open end funds being managed by them:

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.
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 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 direction.

All AMCs shall ensure immediate compliance with this direction. Any violation/circumvention of this direction shall be dealt with in accordance with the relevant provisions of the Companies Ordinance, 1984."

Guarantee by AMCs and IAs regarding Portfolio Management:- Following is the text of SECP's Direction No. 03 of 2015 dated September 04, 2015:-

E2 120-10-11-2022 "The Securities and Exchange Commission of Pakistan (Commission) in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all Asset Management Companies having investment advisory services license (AMCs) and Investment Advisors (IAs) to comply with the following in relation to management of discretionary and non-discretionary portfolios:

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”.

All AMCs and IAs shall ensure immediate compliance with this direction. Any violation/circumvention of this direction shall be dealt with in accordance with the relevant provisions of the Companies Ordinance, 1984.”

Mandatory Certification for the professionals of Capital Market:- Following is the text of SECP’s Circular No. 47 of 2015 dated December 30, 2015:-

“This is in continuation to Circular No. 9 of 2015 dated April 08, 2015. Considering the request of market participants and Brokerage Industry, the Securities and Exchange Commission of Pakistan in exercise of its powers conferred under Section 40(B) of the Securities and Exchange Commission of Pakistan Act, 1997, hereby makes the following amendments to the above-referred Circular:

1. All persons engaged in sales function of a brokerage house shall be required to obtain only Stock Broker Certification (SBC). These persons are no longer required to obtain Pakistan Markets and Regulations Program(PMR) and Fundamentals of Capital Markets Certification (FCM) at this stage;
2. The PMR and FCM certifications shall be mandatory for Chief Executive Officers, Chief Investment Officers, Head of Operations, Head of Compliance, and Head of Sales, by whatever name called, of a brokerage house instead of all employees engaged in the activities;
3. The PMR, FCM and SBC shall be mandatory for all sales supervisors including branch managers engaged by a brokerage house;
4. Time period for availing certifications through grandfathering provision which is due to be lapsed on December 31, 2015 has been extended till June 30, 2016;
5. All other requirements of Circular No. 9 of 2015 shall remain the same.

This Circular shall come into force with immediate effect and all Brokerage houses are required to ensure its meticulous compliance in letter and spirit.”

Mandatory Certification for the professionals of NBFCs:- Following is the text of SECP’s Circular No. 48 of 2015 dated December 31, 2015:-

“This is in continuation to Circular No. 11 of 2015 dated April 13, 2015, Considering the request of market participants and Mutual Funds Association of Pakistan, the Securities and Exchange Commission in exercise of its powers conferred under Section 282B(3) of the Companies Ordinance, 1984 hereby makes the following amendments to the above-referred Circular:

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 Markets Certification (FCM) at this stage;
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 instead of all employees engaged in the activities previously mentioned in Circular No. 11 of 2015;
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;
4. Time period for availing certifications through grandfathering provision which is due to be lapsed on December 31, 2015 has been extended till June 30, 2016;
5. All other requirements of Circular No. 11 of 2015 shall remain the same.

This Circular shall come into force with immediate effect and all NBFCs are required to ensure its meticulous compliance in letter and spirit.”

Regulatory requirements for branches of Asset Management Companies:-

Following is the text of SECP’s Circular No. 02 of 2016 dated January 22, 2016:-

“In order to support its goal of investor protection and facilitation, the Securities and Exchange Commission of Pakistan (Commission), in exercise of its powers conferred under Section 282 B(3) of the Companies Ordinance 1984 issues the following requirements for branches(place of business) of Asset Management Companies (AMCs):

- I. 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:
 - a) Number of existing branches
 - b) Exact location of the branch
 - c) Business prospects for opening the branch
 - d) List of products and services to be offered
 - e) System of supervision and control
 - f) Number of employees to be posted
 - g) Name, number and location of branches of other AMCs in the near vicinity

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.

- II. AMCs 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. I above.
- III. AMCs shall report closure of a branch to the Commission with specific reasons, at least 90 days prior to the closure of the branch.
- IV. The 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.
- V. 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 closure of the branch. The information of the same should also be visibly displayed at the respective branch at least 30 days prior to closure of the branch. The copy of the published public notice shall also be submitted to the Commission within two days of publication.
- VI. 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.
- VII. AMCs may relocate their existing branch within the same city. However, they shall report to the Commission 15 days prior to shifting of the existing branch to a new location.
- VIII. 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.
- IX. 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.
- X. AMCs shall place standees written in Urdu language in a clear and concise manner (specimen attached as Annexure I) with the logo of "JamaPunji", covering the following contents:
 - i. What is a mutual fund.
 - ii. Benefits of investing through a mutual fund.
 - iii. Procedure for investing through a mutual fund.

All AMCs must ensure compliance with the above mentioned requirements within 60 days of the date of this Circular.”

(Annex not reproduced here due to sake of brevity)

Regulatory requirements for branches of Leasing Companies and Investment Banks:- Following is the text of SECP’s Circular No. 03 of 2016 dated January 22, 2016:-

“In order to support its goal of investor protection and facilitation, the Securities and Exchange Commission of Pakistan (Commission) in exercise of its powers conferred under Section 282 B(3) of the Companies Ordinance 1984 issues the following requirements for branches of Leasing Companies and Investment Banks(NBFCs):

I. NBFCs shall report to the Commission, details of opening of a new branch, 15 days prior to opening of the subject branch. NBFCs shall submit the following information:

- a) Number of existing branches
- b) Exact location of the branch
- c) Business prospects for opening the branch
- d) List of products and services to be offered
- e) System of supervision and control
- f) Number of employees to be posted
- g) Name, number and location of branches of other NBFCs in the near vicinity

II. NBFCs 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. I above.

III. NBFCs shall report closure of a branch to the Commission with specific reasons, at least 90 days prior to the closure of the branch.

IV. The NBFCs 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.

V. NBFCs 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 closure of the branch. The information of the same should also be visibly displayed at the respective branch at least 30 days prior to closure of the branch. The copy of the published public notice shall also be submitted to the Commission within two days of publication.

VI. NBFCs 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 NBFC or nearest branch as deemed appropriate.

VII. NBFCs may relocate their existing branch within the same city. However, they shall report to the Commission 15 days prior to shifting of the existing branch to a new location.

VIII. The Commission may inspect the branches of NBFCs on a regular basis to ensure that their activities are being conducted in accordance with the prevalent regulatory framework.

IX. NBFCs 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 NBFC at the branch through printed brochures for the information of potential/existing investors.

X. The deposit taking NBFCs shall ensure the following with respect to their branches:

1. Appropriate and visible display of a valid permission from the Commission to raise deposits.
2. Appropriate and visible display of the current credit rating of the NBFC.
3. Placement of standees written in Urdu language in a clear and concise manner (specimen attached as Annexure I) with the logo of "JamaPunji", covering the following contents:
 - i. Points to be considered before investing in Certificate of Deposit (COD).
 - ii. Procedure for investment in COD.

All NBFCs must ensure compliance with the above mentioned requirements within 60 days of the date of this Circular."

(Annex not reproduced here due to sake of brevity)

Categorization of Open-End Collective Investments Schemes (CIS).- Following is the text of SECP's Direction No. 01 of 2016 dated January 26, 2016:-

This is further to Circular NO.7 of 2009 dated March 6, 2009, Circular No. 16 of 2010 dated July 07, 2010, Circular No. 32 of 2012 dated October 18, 2012 and Circular No. 09 of 2013 dated June 11, 2013 on "Categorization of Open End Collective Investment Schemes".

In order to further strengthen the regulatory framework of Money Market Funds and Income Funds, the Securities and Exchange Commission of Pakistan in exercise of its powers conferred under Section 282D of the Companies Ordinance, 1984 hereby directs all Asset Management Companies (AMCs) to comply with the following additional requirements:

- i. 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;
- ii. 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.;
- iii. 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;
- iv. 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.

All Asset Management Companies must ensure compliance with these requirements within 30 days of the date of this Direction.”

Categorization of Open-End Collective Investments Schemes (CIS).- Following is the text of SECP’s Circular No. 10 of 2016 dated March 16, 2016:-

“This is further to Circular No.7 of 2009 dated March 6, 2009, Circular No. 16 of 2010 dated July 07, 2010, Circular No. 32 of 2012 dated October 18, 2012, Circular No. 09 dated June 11, 2013 and Direction No. 01 of 2016 dated January 26, 2016 on “Categorization of Open End Collective Investment Schemes”.

The Securities and Exchange Commission of Pakistan in exercise of powers conferred under Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby makes the following amendments in the investment parameters for open-end schemes:-

- i. Government of Pakistan (GoP) Ijarah Sukuks not exceeding 90 days remaining maturity shall be counted for cash and near cash instrument requirements.
- ii. GoP Ijarah Sukuks not exceeding 90 days remaining maturity shall be counted for maintaining 10% requirements in Money Market Schemes as per Direction No. 01 of 2016 dated January 26, 2016.

All other requirements stipulated under aforementioned circulars/directions shall remain unchanged.

This Circular shall come into force with immediate effect.”

Exemption from application of provisions.- Following is the text of SRO 530(I)/2016 dated June 08, 2016:-

“In exercise of the powers conferred by sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with rule 10B of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Securities and Exchange Commission of Pakistan is pleased to exempt the following companies from application of provisions of said rules to the extent specified in the table below:

Sr. No.	Type of Company	Exemption
1.	A non-bank microfinance company undertaking micro finance business if on the date of its audited financial statements, its micro financing assets are less than or equal to 30% of its total assets.	(i) Clauses (a), (d), (e), (f), and (g) of sub-rule 6 of Rule 5 (ii) Clauses (c), (ca), (cc), (cd), (h) and (i) of sub-rule 1 of Rule 7 (iii) Clauses (a), (aa), (b) and (l) of sub-rule 2 of Rule 7 (iv) Rule 9”

Calculation and Disclosure of total expense ratio.- Following is the text of SECP’s Direction No. 23 of 2016 dated July20, 2016:-

“The Securities and Exchange Commission of Pakistan hereby directs all Asset Management Companies (“AMCs”) to 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, as referred in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) from July 01,2016:

1. The AMCs shall calculate the TER in respect of each CIS at the end of each calendar month during the financial year of the CIS in the following manner:

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

where:

- i. Total Expenses means the sum of daily expenses of the CIS from July 01 till end of the calculating month;
 - ii. Average Net Asset Value means the sum of daily net assets from July 01 till end of each calculating month divided by total number of days from July 01 till end of that month.
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.
 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."

Verification of antecedents of persons seeking employment in AMCs.- Following is the text of SECP's Direction No. 24 of 2016 dated July 29, 2016:-

"The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all Asset Management Companies ("AMCs") to comply with the following requirements with regards to persons seeking employment in AMCs:

1. The AMCs must verify the antecedents of persons seeking employment in AMCs within ninety (90) days of the date of employment from the former employer.
2. The AMCs must develop a standard procedure for obtaining verification of antecedents in respect of such factors as integrity, attitude, suitability, behavior etc. of the employee from the former employer within sixty (60) days of the date of this Direction.

The AMCs shall ensure immediate compliance of this Direction. Any non-compliance shall be dealt in accordance with the prevalent regulatory framework."

Sahulat Sarmayakari Account for low risk customers and branchless banking account holders.- Following is the text of SECP's Circular No. 33 of 2016 dated November 04, 2016:-

"In continuation of Circular No. 12 of 2009, the Securities and Exchange Commission of Pakistan in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 hereby prescribe the following simplified criteria for opening of Sahulat Sarmayakari Account for individual low risk customers and branchless banking account holders by Asset Management Companies:

Requirements	Individual Low Risk Customers	Customers of Branchless Banking Account
1-Eligibility for opening of Sahulat Sarmayakari Account	i. Only Pakistani Individuals with no joint accounts. ii. AMC shall ensure that one CNIC holder can open only one account in an AMC.	i. Only Pakistani Individuals with no joint accounts. ii. AMC shall ensure that one CNIC holder can open only one account in an AMC.
2- Minimum customer information required by AMC	i. Name as written on CNIC ii. Father/Spouse name iii. Date of Birth iv. CNIC Number v. Mobile Number vi. Address vii. Occupation viii. Source of income	i. Name as written on CNIC ii. Father/Spouse name iii. Date of Birth iv. CNIC Number v. Mobile Number vi. Address

	The above information may be transferred to AMC from NADRA. ix. AMC shall obtain declaration within Account Opening Form from the customer regarding sources of funds/income in the account. Provided that this requirement will not be applicable in case of online account opening where total investment is restricted to Rs. 100,000/- and per transaction limit is restricted to Rs. 25,000/-.	The above information may be transferred to AMC from mobile banking service providers or through NADRA.
3- Minimum documents required	i. Copy/ electronic image of computerized/Smart National Identity Card or copy of National Identity Card for Overseas Pakistanis. ii. In case of minor accounts, the banks shall obtain photocopy of Form-B, Birth Certificate or Student ID card (as appropriate) of the minor. In addition, photocopy of any of identity document as above of the guardian of the minor shall be obtained. iii. The AMC shall obtain undertaking from the staff that he/she has fulfilled all account opening requirements.	i. Copy/electronic image of Computerized/Smart National Identity Card.
4- Verification	i. Verification of customer particulars from NADRA. However, in case of biometric verification by the AMC or its distributor, the account may be opened instantly. ii. The AMC shall through physical/electronic means/ telephone calls/ mobile calls/SMS obtain customer confirmation regarding opening of account and shall also maintain archive of these records as per legal/regulatory record retention requirements.	i. Verification of customer particulars from NADRA. However, in case of biometric verification by the service provider or its agent, the account may be opened instantly. ii. The AMC through mobile calls/SMS to obtain customer confirmation regarding opening of account and shall also maintain archive of these record as per legal/regulatory record retention requirements.
5- Account opening form	1. One page simplified paper-based form /electronic form.	1. Simplified electronic form.
6- Account Activation	1. Accounts may be opened instantly after due diligence	1. Accounts may be opened instantly after due diligence checks, however activation of

	checks, however activation of these accounts shall be restricted for transactions until NADRA verification is completed and after face to face interaction with customer by AMC staff or distributor. The requirement of face to face interaction will not be applicable in case of online account opening where total investment is restricted to Rs. 100,000/- and per transaction limit is restricted to Rs. 25,000/-. Provided that the account may be activated instantly where biometric thumb impression of customer (verified from NADRA) is taken by the AMC or its distributor.	these accounts may be restricted for transactions until NADRA verification is completed. AMC may allow one-time investment/redemption during account opening process. Further, in case, the biometric thumb impression of customer (verified from NADRA), the account may be activated instantly.
7 - Investment /Transaction Limits /	i. Total investment limit at any point in time is restricted to Rs. 800,000/-. ii. Total investment amount during a year is restricted to Rs. 800,000/-. iii. The amount shall be invested/redeemed only through the cheque or online bank account of the customer.	i. Total investment limit is restricted to Rs. 400,000. ii. The amount shall be invested through the branchless bank account of the customer and can be redeemed through the branchless banking account or online bank account of the customer.
8- Account opening point	i. AMC Branches, website of AMC and distribution networks of AMC. ii. Accounts may also be opened by the AMC employee/ staff/ distributors by visiting customers places e.g. factories, organizations, universities/ colleges, residences etc.	1. Online
9- Control Mechanism	i. The AMC shall separately categorize these accounts in their system as Sahulat Sarmayakari Account. ii. During operation of the accounts, if any high risk factor is identified by the AMC in its own assessment or as per international standards viz-a-viz FATF Recommendations etc, the AMC shall consider taking necessary action in accordance with law including filing Suspicious Transaction Reports (STRs) with FMU.	i. AMC shall separately categorize these accounts in their system as Sahulat Sarmayakari Account. ii. During operation of the accounts, if any high risk factor is identified by the AMC In its own assessment or as per international standards viz-a-viz FATF Recommendations etc, the AMC shall consider taking necessary action in accordance with law including filing Suspicious Transaction Reports (STRs) with FMU.

10-Type of CIS can be offered to such investors	i. Initially AMC can offer only Money Market Fund and/or Income Fund to the investor. However, subsequently after completion of customer risk profiling for assessment of suitability of the Collective Investment Scheme (CIS) to the investor, the AMC may offer other categories of CIS to investors.	i. Initially AMC can offer only Money Market Fund and/or Income Fund to the investor. However, subsequently after completion of customer risk profiling for assessment of suitability of the Collective Investment Scheme (CIS) to the investor, the AMC may offer other categories of CIS to investors.
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This Circular shall come into force with immediate effect.”

Conditions for Charging of Selling and Marketing Expenses to Mutual Funds.-

Following is the text of SECP’s Circular No. 40 of 2016 dated December 30, 2016:-

“The Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of powers conferred under section 282B(3) of the Companies Ordinance 1984 read with Regulation 60(3)(v) of the Non Banking Finance Companies and Notified Entities Regulations, 2008, hereby prescribe the following conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them:

- ¹[1. Selling and Marketing expenses will be allowed initially for three years (from January 01, 2017 till December 31, 2019) to all categories of open-end mutual funds (except fund of funds and money market funds);]
2. Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower.
- ¹[3. The selling and marketing expenses can only be used for the following purposes;
 - 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 the cities of Pakistan.
 - d) Payment of advertising and publicity of these funds.
4. The selling and marketing expenses shall only be allowed to those AMCs which comply with opening of new branches* in cities except Karachi, Lahore, Islamabad and Rawalpindi as per the following requirements:

June 30, 2017	July 01, 2017 to June 30, 2018	July 01, 2018 to June 30, 2019	July 01, 2019 to Dec 31, 2019
2	3	4	2

*For the purpose this requirement branch means any branch or outlet where dedicated sales team of AMC is appointed and it includes independent branch of AMC, counter/office in a capital market hub, separate counter in a bank / insurance company / postal office etc.

¹Condition 1 & 3(a)&(b) substituted by Circular No. 05 of 2018 dated June 04, 2018.

- ¹[5. A MCs, which intend to charge these expenses to fund, shall submit their annual plan to their Board of Directors for approval. The plan should cover the following at minimum:-
- a) Name of funds in 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
 - iv. Targeted distribution arrangement and commission structure
 - f) Status of achievements of AMC against the last year submitted plan]
6. Expenses to be paid to AMCs 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 the purposes allowed. In case of dispute between AMC and trustee, the matter shall be referred to SECP and decision of the SECP shall be binding on both AMC and trustee.
 7. These expenses shall be counted in the Total Expense Ratio Cap of the fund and AMC shall adjust the NA V of fund on daily basis.
 8. These expenses shall be separately disclosed in fund managers' report and published accounts of funds.
 9. 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.

This Circular shall come into force with immediate effect.”

¹Condition 5 substituted by Circular No. 05 of 2017 dated February 13, 2017.

Mandatory Requirements for Distributors Selling Mutual Fund Units of Single Asset Management Company.- Following is the text of SECP's Circular No. 41 of 2016 dated December 30, 2016:-

"The Securities and Exchange Commission of Pakistan ("the Commission"), in exercise of powers conferred under section 282B(3) of the Companies Ordinance 1984 read with Regulation 66A (a) of the Non Banking Finance Companies and Notified Entities Regulations, 2008, hereby prescribe the following requirements for employees and distributors of an Asset Management Company (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):

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/O 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.

2. Requirements of Circular 11 of 2015 and Circular 48 of 2015 shall not apply on employees of an AMC engaged in sales and distribution, individual distributors, and employees of a company/firm which act as distributor for a single AMC.

3. Individuals referred in clause 1(a) above not having IFMP certification may sell mutual fund units after taking in-house training of minimum 3 days from an AMC. However, these individuals whether acting as distributor in their individual capacity or as an employee of an AMC or company/firm shall be required to get new IFMP certification within 6 months from the date of joining or introduction of such new certification by IFMP whichever is later. Moreover, after introduction of new IFMP certification, individuals referred in Clause 1 (a) above, will not join the AMC or distributor to sell mutual fund units unless having such new IFMP certification.

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.

5. All the relevant employees of an AMCs, 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.
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.
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 MUFAP 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.
8. AMC shall devise the risk profiling criteria to be used by its own employees and its distributors for soliciting investment from investors.
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. 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.
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.

This Circular shall come into force with immediate effect.”

Code of practice for the relationship between the statutory external auditor and the SECP.-Following is the text of SRO 615(I)/2016 dated July 12, 2016:-

“In exercise of the powers conferred by clauses (ja) & (m) of sub-section (4) of section 20, read with section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby directs that statutory external auditors of the licensed listed entities, as defined hereunder, shall follow the “Code of Practice for the relationship between the Statutory External Auditors and the Securities and Exchange Commission of Pakistan” as under, namely:-

Code of Practice for the relationship between the Statutory External Auditors of licensed listed entities and the Securities and Exchange Commission of Pakistan

1. **Applicability.**- This “Code of Practice for the relationship between the Statutory External Auditor and the Securities and Exchange Commission of

Pakistan” (hereinafter shall be referred as ‘the Code’) shall apply to the statutory external auditors of the licensed listed entities, licensed or notified under the relevant provision of the laws.

2. The provisions/ conditions laid down herein shall not be superior of any other applicable provisions of laws in respect of appointment of auditors and reports issued or expression of opinions by the Auditors moreover, the Code shall not discharge the auditors from any of the responsibilities / obligations given under the applicable regulatory framework.

3. **Definitions.-** In this Code, unless there is anything repugnant in the subject or context,- “Licensed Listed entities” includes listed insurance companies, listed brokerage houses, listed modarabas and listed NBFCs.

4. The Code consists of principles, as under:

Principle 1: Frequency of Communication between the Securities and Exchange Commission of Pakistan (SECP) and Statutory External Auditors

For scheduled formal meetings, there should be one annual meeting, at the planning stage of audit, between SECP and statutory external auditors with respect to all regulated licensed listed entities. The purpose of the meeting is to share the experiences gained over the year with each other and to discuss all issues that may interest both parties in carrying out their functions.

Principle 2: Maintain confidentiality of information

SECP and statutory external auditors of the licensed listed entities must maintain the confidentiality of information shared among them. The information must not be shared with the third parties except for the circumstances where a legislature requires sharing of information.

Principle 3: SECP and Statutory External Auditors to have an open, cooperative and constructive relationship

Both SECP and the statutory external auditors of the licensed listed entities shall seek to have an open and constructive two-way dialogue. The communication could be both through formal channels, such as scheduled formal meetings between relevant individuals. The nature and frequency of communication must be determined after giving due consideration to the size and complexity of the entities.

Effective discharge of respective responsibilities requires that both SECP and statutory external auditors of the licensed listed entities must communicate as frequently as necessary. The frequency of communication must be determined with respect to the size and complexities involved with a particular entity.

Principle 4: SECP and Statutory External Auditors to share information

- (a) SECP must exercise its judgment to share timely information with the statutory external auditors of the licensed listed entities that it believes to be of significant importance to contribute to higher quality audits.
- (b) After completion of the audit, the statutory external auditor would submit copy of its management letter of each licensed listed entity to the SECP.”

Direction for Liquidity Requirements for Mutual Funds.-Following is the text of SECP Direction No. 02 of 2017 dated January 13, 2017:-

“The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs that all Asset Management Companies (AMCs) shall comply with the following requirements;-

1. At all times, an AMC shall maintain at least 5% of net assets in cash and near cash instrument in Equity Funds (other than dedicated equity funds) and Funds of Funds. The AMCs that are currently not complying shall ensure compliance latest by February 15, 2017.
2. An AMC shall arrange committed credit lines from banks/DFIs equivalent to 15% of net assets of each fund latest by March 1, 2017 for redemption purposes.
3. In case, where redemption requests exceed ten per cent of the total number of units in issue of fund on anyone dealing day, the redemption requests of AMCs and its sponsors, if any, shall have least priority for redemption on that day.”

Direction for Liquidity Requirements for Mutual Funds.-Following is the text of SECP Direction No. 07 of 2017 dated March 03, 2017:-

“This is in continuation to Direction No. 02 of 2017 dated January 13, 2017 on Liquidity Requirements for Mutual Funds. Considering the request of Mutual Funds Association of Pakistan, the Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby makes the following amendments to the condition no. 1 and 2 of the above-referred Direction:-

1. The requirement of minimum cash and near cash instruments shall be 5% of net assets of the fund on monthly average calculated on daily basis. Moreover, investment of fund of funds scheme in money market schemes shall be treated as equivalent to cash and near cash instrument.
2. The requirements of committed credit lines is revised to 10% of net assets and the deadline to comply with this requirement is extended up to March 15, 2017. Further, the AMCs shall review the committed credit lines at least on quarterly basis against the net assets of the fund.”

Reporting by Non-Banking Finance Companies.-Following is the text of SECP Circular No. 09 of 2017 dated April 17, 2017:-

“This is with reference to Circular No. 12 of 2009 dated April 28, 2009 wherein all Non-Banking Finance Companies (NBFCs) were required to formulate and put in place, a comprehensive Customer Due Diligence 1 Know Your Customer Policy duly approved by their Board of Directors.

2. In this connection, the Securities and Exchange Commission of Pakistan in exercise of the powers conferred under Section 282B (3) of the Companies Ordinance, 1984 hereby instructs all NBFCs to provide information as per the format given in Annexure-A with respect to those investments made in NBFCs wherein the investment amount is equal to or greater than the following thresholds for different class of investors:

Investor Class	Investment Amount (Rs. in million)
Corporate	100.00
Trust	50.00
Individual	10.00

In case of donations/grants received by NBFCs, the threshold for reporting to the Commission shall be Rs. 5.00 million or above irrespective of the investor class.

For the purpose of this clause, the expression "investments" shall include all sums received by an NBFC including but not limited to amount received for the purchase of shares/units, loans, deposits etc.

3. The above reporting requirements shall not be applicable to investments made by financial institutions, public listed companies, licensed entities, asset management companies, mutual funds, insurance companies or Government administration/entities.

4. The aforementioned information shall be submitted on monthly basis within 5 days from the close of every month in MS Excel format at the email address: reporting.scd@secp.gov.pk”

(Annexure not reproduced here due to sake of brevity)

Reporting by Securities Brokers.-Following is the text of SECP Circular No. 06 of 2019 dated April 25, 2019:-

“The Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under Section 40B of the SECP Act, 1997 read with Section 172 of the Securities Act, 2015 is hereby pleased to repeal the Circular 10 of 2017, dated April 21, 2017.”

Requirements for Asset Management Companies (AMCs) to Advertised Open End Collective Investment Schemes.-Following is the text of SECP Direction No. 12 of 2017 dated April 27, 2017:-

“This is further to Circular No: 16 of 2014 on “Requirements for Asset Management Companies to Advertised Open End Collective Investment Schemes”.

The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all AMCs to 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.”

Requirements for Asset Management Companies (AMCs) to Advertised Open End Collective Investment Schemes.-Following is the text of SECP Circular No. 12 of 2017 dated April 27, 2017:-

“This is further to Circular No: 16 of 20 14 on “Requirements for Asset Management Companies to Advertised Open End Collective Investment Schemes”.

The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all AMCs to 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.”

Criteria for investing in Equity Securities by Collective Investment Schemes (CIS).-Following is the text of SECP Circular No. 13 of 2017 dated April 28, 2017:-

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

Criteria

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:

1. Securities which are not eligible for Central Depository System;
2. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
3. The minimum free float of the company is less than 15% or 50,000,000 shares whichever is less;
4. 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;
5. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited accounts or half yearly limited reviewed accounts whichever is latest;
6. There are major non-compliance issues i.e. holding of annual general meeting, finalization of annual audited accounts, appointment of board of directors and non-compliance with any specific direction(s) of the Commission except those companies that have obtained relaxation or extension to comply with such regulatory requirements from the Commission;

For the purpose of this clause, the word "specific direction" shall mean an explicit direction issued to a particular company in a certain matter.

7. Auditor's report is qualified with respect to company's ability as going concern or contains adverse opinion or disclaimer of opinion; or
8. Winding up proceedings have been initiated against the company.

The above criteria shall be applicable for all new equity investments of the CIS effective from 1st day of July 2017.

These instructions are applicable on all CIS, which are authorized to invest in equity securities as per their constitutive documents."

Compliance with the requirements of certain statutes.—Following is the text of SECP Circular No. 14 of 2017 dated May 15, 2017:-

"With a view to inculcate good governance practices, promote investor protection and in order to have professional/skilled personnel providing advice/recommendation to investors, the Securities and Exchange Commission of Pakistan, in exercise of its powers conferred under section 169(2)(b) of the Securities Act, 2015, section 114(2)(ii) of the Futures Market Act, 2016 and Regulation 4(e) of the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017 (the "Regulations"), hereby directs the following to ensure compliance with the below-mentioned requirements:

1. Within one year of grant of license, such employees of companies licensed as securities/futures advisers who are involved in providing advisory services to customers, shall be required to obtain the Financial Advisors Certification (FAC) offered by the Institute of Financial Markets (IFM). The Core module of FAC will be mandatory for all, while in the Advanced Module, there will be choice between Equity and Commodity advisory sub-modules based on the type of advisory being offered.

2. Senior management (chief executive/head of advisory business/head of sales, by whatever name called) of companies involved in advisory business shall obtain the Pakistan Markets and Regulations (PMR) certifications, in addition to the FAC, within one year of grant of license.
3. In case of an individual licensed as a securities/futures adviser, such person shall be required to obtain both PMR and FAC within one year of grant of license.
4. Individuals or employees of companies engaged in distribution of mutual fund units only would be required to acquire Mutual Fund Distributor Certifications within one year of grant of license.
5. All NBFCs licensed as investment advisers with the Commission would be required to arrange certifications for their staff within one year of the issuance of the circular. (as outlined in points 1 and 2 above)."

Customer Due Diligence Know Your Customer Policy.-Following is the text of SECP Circular No. 28 of 2017 dated November 14, 2017:-

"The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 hereby makes the following amendments in para 2(a). Minimum Information/Documents of the Circular No. 12 of 2009 dated April 28, 2009 titled "Customer Due Diligence (CDD)/Know Your Customer Policy (KYC)":

1. For individual/sole proprietorship, the requirement of "sources of income" and for partnership account, the requirement of "copy of latest financials of partnership" shall be replaced with *"any documentary evidence providing reasonable assurance in identifying the source of funds"*; and
2. For joint stock companies, the requirement of "audited accounts of the company" shall be replaced with *"audited accounts of the company or in case of private company financial statements in accordance with the filing requirements of section 234 of the Companies Act, 2017"*.

All other requirements stipulated under Circular No. 12 of 2009 shall remain unchanged."

Withdrawal of Liquidity Requirements for Mutual Funds.-Following is the text of SECP Direction No. 26 of 2017 dated November 08, 2017:-

The Securities and Exchange Commission of Pakistan, in exercise of power conferred under Section 282D of the Companies Ordinance, 1984, hereby withdraws the requirement of maintenance of 5% cash and near cash instruments in equity funds and fund of funds as earlier prescribed through Direction No.2 of 2017, and subsequently amended through Direction No.7 of 2017, with immediate effect.”

Requirements for Constant Proportion Portfolio Insurance (CPPI) based Collective Investment Schemes (CIS).-Following is the text of SECP Circular No. 30 of 2017 dated November 24, 2017:-

“The Securities and Exchange Commission of Pakistan, in exercise of powers conferred under Section 282B (3) of the Companies Ordinance, 1984 hereby makes the following amendments in the requirements of Circular No: 18 of 2015 dated May 15, 2015:

1. A CPPI based CIS/Plan may take equity exposure maximum upto 50% of its net assets subject to Cushion Value Percentage and Maximum Multiplier limits prescribed vide Circular No: 18 of 2015.
2. An AMC shall immediately rebalance asset composition of the CIS/Plan at least on 5% decline in Portfolio Value of CIS from the previous rebalancing or on weekly basis, whichever falls earlier.
3. A CPPI based CIS/plan launched under the category fund of funds shall take equity exposure only through dedicated equity funds.

All the other requirements prescribed vide Circular No: 18 of 2015 shall remain unchanged.

The requirements prescribed vide Direction No: 18 of 2016 dated May 25, 2016 shall stand withdrawn.”

Withdrawal of Liquidity Requirements for Mutual Funds.-Following is the text of SECP Direction No. 37 of 2017 dated December 29, 2017:-

The Securities and Exchange Commission of Pakistan, in exercise of power conferred under Section 282D of the Companies Ordinance, 1984, hereby withdraws the requirement for asset management companies to arrange committed credit lines from banks/DFIs equivalent to 10% of net assets of each fund prescribed through Direction No 07 of 2017.”

Categorization of Open-End Collective Investment Schemes.-Following is the text of SECP Circular No. 03 of 2018 dated March 02, 2018:-

“In continuation to Circular No. 7 of 2009 dated March 06, 2009 on "Categorization of Open-End Collective Investment Schemes", the Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282B (3) of the Companies Ordinance, 1984 read with the Regulation 55(2) and 58(1)(n)&(p) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations, 2008") hereby prescribes the following amendments for the fund of funds schemes and allocation plans under them:

1. 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;
2. An Asset Management Company(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. The per party exposure limits given in Regulation 55(5) 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;
4. 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.

All other conditions of above-mentioned circular shall remain unchanged.”

Mandatory certification for the professionals of Capital Market:-Following is the text of SECP Circular No. 10 of 2018 dated July 03, 2018:-

“This is in continuation to Circular No.9 and 47 of 2015 dated April 08, 2015 and December 30, 2015 respectively. The Securities and Exchange Commission of Pakistan in exercise of its powers conferred under Section 40(B) of the Securities and Exchange Commission of Pakistan Act, 1997, hereby makes the following amendments to the above-referred Circulars:

1. Timeline for availing the certifications through grandfathering option which lapsed on June 30, 2016 has been eliminated. Consequently, the desired candidates may avail the certifications under grandfathering option from the Institute of Financial Markets of Pakistan (IFMP) required under these Circulars at any time, if they fulfill the criteria.
2. All other requirements of Circular No.9 and 47 of 2015 shall remain the same.

This Circular shall come into force with immediate effect.”

Mandatory certification for the professionals of NBFCs:-Following is the text of SECP Circular No. 12 of 2018 dated July 13, 2018:-

“This is in continuation to Circular No. 11 and 48 of 2015 dated April 13, 2015 and December 31, 2015 respectively. Considering the request of market participants and Mutual Funds Association of Pakistan, the Securities and Exchange Commission of Pakistan in exercise of its powers conferred under Section 282B(3) of the Companies Ordinance, 1984, hereby makes the following amendments to the above referred Circulars:

1. Timeline for availing the certifications through grandfathering option which lapsed on June 30, 2016 has been eliminated. Consequently, the desired candidates may avail the certifications under grandfathering option from the Institute of Financial Markets of Pakistan (IFMP) required under these Circulars at any time, if they fulfill the criteria.

2. All other requirements of Circular No. 11 and 48 of 2015 shall remain the same.

This Circular shall come into force with immediate effect and all NBFCs are required to ensure its compliance in letter and spirit.”

Risk Management and Control Guidelines for Asset Management Companies:-

Following is the text of SECP Circular No. 15 of 2018 dated July 17, 2018:-

“The Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 issues the attached guidelines for establishment of Risk Management Systems and Control in the Asset Management companies (AMCs).

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 a useful reference for AMCs in developing and assessing their own risk management systems.”

Amendment in Circular No. 410 of 2016 (Mandatory Requirements for Distributors Selling Mutual Fund Units of Single Asset Management Company):-

Following is the text of SECP Circular No. 18 of 2018 dated October 16, 2018:-

“The Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 66A(a) of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, hereby makes following further amendment in Circular No. 41 of 2016:

“Individuals referred in clause 1(a) of the Circular No. 41 of 2016 having minimum qualification of 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 of joining the AMC or Distributor.”

All other requirements stipulated under Circular No. 41 of 2016 shall remain unchanged.”

Directive for Disclosure about the Complaint Resolution Forums:-Following is the text of SRO 1405(I)/2018 dated November 16, 2018:-

“WHEREAS, in pursuance of Circular 5 of 2016 dated January 26, 2016, insurers are required to:-

- I. Fix the notice board(s) containing the 'awareness message' attached thereto in both Urdu as well as English languages at prominent places at head office and branch offices where general public or policyholders pay frequent visits including bank branches authorized to offer bank assurance products to the general public;
- II. Upload the 'awareness message' attached thereto on their respective websites under the heading of "Complaints Resolution Forums" (in red font) in both Urdu as well as English languages; and
- III. Print the 'awareness message' attached thereto on all the forms i.e. policy illustrations, proposal forms, policy documents and claim forms on conspicuous position (in red font) in both Urdu as well as English languages.

AND WHEREAS, pursuant to Circular 36 of 2017 dated December 12, 2017, insurers are required to display details of the designated persons for assisting and handling investors / policyholders' grievances along with web-link and image of SECP's toll free number, queries and online complaints portal on their websites.

AND WHEREAS, the above measures have resulted in creating awareness among the policyholders about complaint resolution forums; however, there is still need to take more measures through which policyholders can be timely made aware of the complaint resolution forums available to them.

NOW THEREFORE, the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 read with clause (r) of sub-section (4) of section 20 and clauses (fa) and (fb) of sub-section (6) of section 20 thereof, hereby directs all the insurers to convey/apprise the policyholders through letter about the respective complaint resolution forums along with their valid addresses, both in Urdu and English languages in the following situations:-

- i. Repudiation of claim of a policyholder or claimant;
- ii. Request for premium refund (in case of mis-selling complaint), policy surrender or maturity is not acceded to or responded to by the insurer;
- iii. Any other grievance in which insured or claimant is not satisfied; and
- iv. In case of expiry of 90 days from the date of filing of claim or request made as above;

Respective addresses of the complaint resolution forums shall be conveyed vide the same letter, whereby such decision is communicated by stating that if he/she is aggrieved by the decision of the insurer or a delay beyond 90 days is caused in settlement of his/her claim or request as stated above, he/she may file his/her complaint with one of the following forums:

- i) Federal Insurance Ombudsman (with complete address);
- ii) Small Disputes Resolution Committees at Islamabad, Lahore and Karachi (with complete address of the respective committee); and

iii) Insurance Tribunals established in all the Provinces;

All the insurers are required to submit their confirmation in respect of their compliance with the above Directive, within one week of the date of this Directive.

An insurer who contravenes or fails to comply with any requirement of this Directive shall be liable to pay by way of penalty as provided under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997.”

NRSP Agriculture Processing Company Limited:-Following is the text of SRO 1457(I)/2018 dated November 27, 2018:-

“WHEREAS, National Rural Support Programme (“NRSP”) a Non-Bank Microfinance Company has applied to the Securities and Exchange Commission of Pakistan (the “Commission”) for notification of NRSP Agriculture Processing Company Limited (the “Company”) as a financial services company in terms of clause (xxa) of sub-rule (1) of Rule 2 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the “NBFC Rules”).

AND WHEREAS, the Company in terms of its memorandum of association can undertake to provide services including but not limited to the following to the farmers in the agriculture value chain:

- i. Processing, grading, packaging, warehousing of agricultural produce, issuance of warehousing receipts both in physical and electronic forms for agricultural produce stored in its warehouses, act as agent/arranger/ distributor/dealer for providing agricultural inputs including seeds, fertilizer and pesticides etc. to the farmers.
- ii. Facilitating farmers to obtain finance including lease finance from lending NBFCs, commercial banks, micro finance banks and other financial institutions.
- iii. Provision of agricultural equipment on rental basis.
- iv. Facilitating farmers to obtain insurance of their crops from insurance companies licensed by the Commission.

NOW THEREFORE, the Commission being satisfied that the Company’s proposed activities according to its objects as stated in Memorandum of Association being similar in the nature of other companies and entities specified under clause (xxa) of sub-rule (1) of Rule 2 of NBFC Rules, 2003 (i.e. intermediary between the financial institutions and farmers) therefore, the Commission in exercise of its powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 read with clause (xxa) of sub-rule (1) of Rule 2 of NBFC Rules, 2003 hereby notifies NRSP Agriculture Processing Company Limited as a Financial Services Company for the purposes of the said rules.

Provided that this notification shall not in any manner be deemed to entitle the Company to carry on or indulge in provision of any of the financial services being regulated/licenced or other activities which are required to be undertaken with prior authorization/ permission by the Commission under the Securities and Exchange Commission of Pakistan Act, 1997 or under any administered legislation or under any other law administered by any other regulatory authority including State Bank of Pakistan.”

Regulatory requirements for the branches of Non-Bank Microfinance Companies:-

Following is the text of Circular No.23 of 2018 dated December 27, 2018:-

“The Securities and Exchange Commission of Pakistan (the "Commission") in exercise of its powers conferred under sub-section (3) of section 282B of the Companies Ordinance 1984 issues the following requirements for the branches of NBMFCs:

- (i) Appropriate display of certificate of incorporation and valid license issued by the Commission to conduct the business of microfinancing.
- (ii) Properly trained staff / human resource.
- (iii) Security arrangements for the safety of documents and staff.
- (iv) Proper client support for filling up of applications and completion of documentation.
- (v) Grievance redressal system/mechanism for prompt and effective resolution of clients' complaints.
- (vi) Product information relating to various products being offered by the NBMFC at the branch through printed brochures for the information of potential /existing clients.

All NBMFCs must ensure compliance with the above mentioned requirements within 60 days of the date of this Circular.”

Guidelines on Grievance Redressal System (GRS) in Non-Bank Microfinance Companies (NBMFCs):- Following is the text of Circular No.24 of 2018 dated December 27, 2018:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 hereby specifies guidelines for establishment of Grievance Redressal System in the Non-Bank Microfinance Companies (“NBMFCs”).

The purpose of these guidelines is provision of formal channel of grievance redressal to clients of NBMFCs. These guidelines will facilitate and guide the NBMFCs to set out a system within the organization for complaints and problem resolution for their clients. These guidelines envisages a fair, transparent, flexible efficient and effective system and it is hoped that this will not only increase customer satisfaction but will also reduce operational and reputational risk of the NBMFC.

The guidelines are enclosed as Annexure to this Circular.

Annexure

**GUIDELINES ON GRIEVANCE REDRESSAL SYSTEM (GRS) IN NON-BANK
MICRO FINANCE COMPANIES (NBMFCs)**

1. Introduction:

GRS in NBMFCs encompasses complaints received from its customers and the policies and procedures put in place to deal with these complaints. A complaint is an oral or written expression of dissatisfaction relating to the NBMFC from a customer where a response or resolution is expected. For the

purpose of these Guidelines, a customer is defined as a person who has obtained finance from an NBMFC or has any business relationship with the NBMFC. GRS should be fair, transparent, accessible, and efficient as an effective system increases customer satisfaction, reduces operational and reputational risk of a NBMFC and assist in bringing improvements in products, services, processes and delivery channels. An effective GRS in NBMFCs also reduces burden on external dispute resolution forums.

2. Basic Principles for GRS in NBMFCs

- (i) The board and senior management of a NBMFC should take measures to instill and promote a culture that recognizes the importance of complaints and their timely resolution.
- (ii) Every complainant must be treated fairly.
- (iii) Complaints must be resolved within shortest possible time.
- (iv) Complaint handling mechanism of the NBMFC should be visible and accessible.
- (v) Complaint handling mechanism should be comprehensive and integrated to core business.
- (vi) Complaint handling system should be adequately monitored.

3. Complaint Handling Mechanism: The minimum requirements for complaint handling mechanism in a NBMFC are as under:

(i) Structure:

- a) The NBMFC shall designate a key executive to look after the complaint handling mechanism. It is expected that the NBMFCs will address the possibility of conflict of interest while assigning the complaint handling mechanism to a key executive.
- b) The NBMFCs shall also ensure that the complaint handling function works independently and have adequate powers and resources.

(ii) Policies and procedures:

- a) The NBMFCs are required to put in place a complaint handling policy and delineate detailed procedures to deal with complaints.
- b) The policy and procedure should be duly approved by the board of NBMFC.
- c) The procedures should clearly define the complaint resolution process, roles and responsibilities of people involved right from the receipt of a complaint to its resolution or disposal.
- d) The procedures should also outline the mechanism of review and analysis of the complaints and how corrective measures shall be taken to fix the lacunae in a product or procedure as identified through analysis of complaints.

(iii) Process visibility and accessibility:

- a) NBMFCs should ensure that their complaint handling mechanism is visible and easily accessible for all customers.
- b) NBMFCs must have information about their complaint handling mechanism clearly available to the public (notably, in product statements, loan application, loan approval letter, by putting standees in the branches, on their websites, etc.). The information must include how to lodge a complaint along with contact details (address, phone & fax numbers and email address) and that it is free-of-charge.

- c) NBMFCs shall accommodate complaints received through any source of communication channel (whether verbal or in writing) and may communicate with complainants via SMS, email, recorded line or surface mail or any other agreed channel.
- d) While declining any complaint, the NBMFCs must inform the customer of his right to approach any external dispute resolution forums along with their contact details.

(iv) Acknowledgment of a complaint:

- a) The NBMFCs shall accommodate complaints received through any source of communication channel.
- b) The NBMFCs must ensure that once a complaint is received, it should be assigned a complaint number.
- c) An acknowledgement should be sent via SMS, email, recorded line, or surface mail confirming the receipt of the complaint.
- d) In case the complaint is received after the working hour, the acknowledgement shall be sent on the following working day.
- e) The acknowledgement should briefly describe the complaint process, the time line to resolve or decide the complaint and the contact details for follow up on his/her complaint.

(v) Interim Reply:

In case a complaint requires detailed investigation, the NBMFC must inform the complainant that the scrutiny of the matter requires more time. The reply, in such case, should briefly describe the scrutiny required to find facts and expected time during which final reply would be provided. Interim responses can also be in form of SMS, emails, recorded line, etc.

(vi) Final reply:

- a) The NBMFC must inform the customer of its final reply within the prescribed time limit.
- b) The final reply must set out its decision on the complaint i.e. either offer redress and/or deny the complaint and provide clear reasons for doing so.
- c) The NBMFC must inform the complainant of the right to refer the complaint to an external grievance mechanism along with the contact details.

(vii) Final reply in case of denied complaints:

Not all complaints can be resolved to the satisfaction of the complainant. In such cases, the NBMFC must inform the complainant that his / her grievances cannot be resolved, the reasons / justification on the basis of which the complaint is being denied and alternate grievance redressal forum available to the complainant and their contact details.

(viii) Resolution Time Line:

NBMFCs are encouraged to resolve all the complaints expeditiously. In this regard following maximum timelines may be observed for all complaints:

Acknowledgement	Within one working day. In case of complaints received after working hours, the next working day would be considered its receipt day.
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Interim reply	If the complaint requires detailed scrutiny, the NBMFC within 5 working days shall inform the complainant that the complaint requires detailed scrutiny
Final reply	Complaints that don't require detailed scrutiny: 15 working days Complaints which require detailed scrutiny: 30 working days

(ix) Escalation procedure:

It is important that complaint should be resolved as early as possible and complacency in dealing with complaints should not be tolerated. For the purpose, the NBMFCs should establish an escalation procedure whereby a complaint not resolved or disposed of within particular timeframe should be escalated to next hierarchy.

(x) Complaints of Persons with Special Needs:

- NBMFCs are required to exercise extra care while dealing with complaints of illiterate, old age or physically handicapped complainants.
- It should be ensured that the understanding capacity of these persons is given ample weightage while deciding the complaint. Old age complainants should be treated empathically and to the maximum possible extent their complaint should be resolved preferably at the branch level for their convenience.

(xi) Record keeping:

The NBMFCs shall keep complete record of the complaints for a period of at least two years.

(xii) Monitoring and assessing Complaint Handling Mechanism:

- NBMFCs should implement a system designed to capture all complaints data for analysis. The complaint information should include total number of complaints, complaint grouping by product type, information on resolution times and themes. The findings of this report should be shared with the management / board on annual basis to carve out a strategy for the betterment of the complaint management system, reductions in incidence of complaints and bring improvements in products, services, processes and delivery channels.
- The internal complaint handling mechanism of NBMFCs should be subject to internal audit at least annually and any deviation or non-compliance or internal procedures as well as legal / regulatory requirements should be recorded and reported to board of directors.
- The internal audit should also review complaint data and highlight any significant operational risk that the NBMFC may encounter.

(xiii) Reporting to the Commission:

The NBMFC shall submit a report to the Commission on formats as may be prescribed from time to time.”

Requirements for constant proportion portfolio insurance (CPPI) based collective investment schemes (CIS).-Following is the text of Circular No. 08 of 2019 dated May 28, 2019:-

“The Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 hereby makes the following amendments in clauses no.1 and 9 of Circular No.18 of 2015 dated May 15, 2015 and clause no.1 of Circular No.30 of 2017 dated November 24, 2017:

1. An Asset Management Company (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.
2. The requirement of submission of weekly report to the Commission regarding CPPI based CIS/plan shall stand withdrawn.

The AMCs shall make necessary amendments in the offering documents of the concerned CPPI based CIS/plans prior to taking into effect the above-mentioned changes.

All other conditions of Circular No. 18 of 2015 and Circular No. 30 of 2017 shall remain unchanged.”

Revision of annual fee for collective investment schemes (CIS).-Following is the text of SRO 685(I)/2019 dated June 28, 2019:-

“In exercise of the powers conferred under clause (g) of sub-section (1) of section 21 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Policy Board is pleased to specify revised rate of annual fee at 0.02% of net assets applicable on all categories of Collective Investment Schemes.

2. This Notification shall take effect from 1st July, 2019.”

Revision of fee for Regulated Activity of Companies.- Following is the text of SRO 716(I)/2019 dated July 02, 2019:-

“In exercise of the powers conferred under clause (g) of sub-section (1) of section 21 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Policy Board is pleased to specify the following revised rate of fees,-

Regulated Activity	Revised Fee (in PKR)	
Credit Rating Companies	Fee to be paid at the time of obtaining permission to form a credit rating company	NIL
	Fee to be paid at the time of applying for license as a credit rating company	100,000

	Fee to be paid at the time of applying for renewal of license as a credit rating company	NIL
Banker to an issue	License renewal fee	NIL
Consultant to the issue	License renewal fee	NIL
Underwriter	Fresh License Fee	250,000
	License renewal fee	NIL
Debt Securities Trustees	License renewal fee	NIL
Share Registrars and Ballotters	License renewal fee	NIL
Public Offering of Securities	In case of public offering of equity securities of a company	200,000
	In case of issuance of debt security	100,000

2. This Notification shall take effect immediately.

Revision of fee for Regulated Activity of Companies.- Following is the text of SRO 756(I)/2019 dated July 09, 2019:-

“In exercise of the powers conferred under clause (g) of sub-section (1) of section 21 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Policy Board is pleased to specify the following revised rate of fees,-

Regulated Activity under the Companies Act, 2017	Revised Fee (in PKR)	
Grant of Licence u/s 42	Fee for Renewal of Licence u/s 42	NIL
Free Zone Company Renewal process	Fee for annual renewal of Free Zone Company u/s 454	NIL
Registration of Foreign Companies	Fee for registration of a foreign company u/s 435	Fee reduced to Rs.10,000 for online and Rs.20,000 for physical filing
Further Issue of Share Capital	Fees for approval of: (i) Issue of shares otherwise than right; (ii) Employees Stock Option Scheme; (iii) Issue of shares with different rights and privileges.	For each of the case, fee reduced to a fixed amount of Rs.25,000 for online and Rs.50,000 for physical filing.

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Registration of Intermediaries	In case of individual registered as Intermediary u/s 455, fee for renewal of registration	NIL
	In case of Firms/ Companies/ Limited Liability Partnerships registered as Intermediary u/s 455:	
	Registration processing fee	Fee reduced to Rs.10,000 for online or physical filing.
	Fee for renewal of registration	NIL
Group companies registration	Fee for registration as a Group Companies Registration Regulations, 2008	Fee reduced to Rs.50,000.”

Criteria for qualified Capital and its Terms and Conditions for Non-Banking Finance Companies Engaged Exclusively in the Business of Issuance of Guarantees to Enhance the Quality of Debt Instruments Issued to Finance Infrastructure Projects in Pakistan.- Following is the text of SECP’s Circular No.17 of 2019 dated December06, 2019:-

“In exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) the Securities and Exchange Commission of Pakistan (the “Commission”), for the purposes of regulations 15B and 17 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “NBFC Regulations”), hereby specifies the ‘Qualified Capital’ and its terms and conditions for Non-Banking Finance Companies (“NBFCs”) engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, namely:-

“Qualified Capital” means the aggregate of Callable Capital and Contingent Capital (including any drawdown thereunder);

Explanation:- For the purposes of this clause the expressions,-

- (i) **“Callable Capital”** means share capital that, in terms of a written agreement entered into between the NBFC and a sponsor, shareholder and/or investor, as the case may be, is agreed to be subscribed on the following terms and conditions:-
 - (a) the shares shall be fully subscribed over a period of twenty four (24) months from the date of the written agreement;

- (b) during the subscription period specified in sub-clause (a), the obligation to subscribe to shares shall be irrevocable and on demand, at the sole discretion of the NBFC; and
 - (c) the subscription obligation shall be secured by a bank guarantee or standby letter of credit from a commercial bank rated AAA or higher by a credit rating agency registered with the Commission;
- (ii) **“Contingent Capital”** means long term commitment for finance that, in terms of a written agreement entered into between the NBFC and a Qualified Financial Institution(s), is provided as a second loss facility on the following terms and conditions:-
 - (a) at any time, the Contingent Capital, in aggregate, shall not exceed one and a half (1.5) times of the sum of paid up share capital and Callable Capital of the NBFC;
 - (b) the commitment shall, in accordance with the terms thereof, be irrevocable, confirmed and fully committed;
 - (c) the long term commitment and the finance thereunder shall be available on a revolving basis;
 - (d) the finance under the commitment shall be callable on demand upon a Capital Event and at the sole discretion of the NBFC or on a direction by the Commission (after giving the NBFC a reasonable opportunity of a hearing), which shall be binding on the NBFC; and
 - (e) the commitment shall be replaced by the NBFC if the financing entity ceases to be a Qualified Financial Institution;
- (iii) **“Qualified Financial Institution”** means a local or an international or multilateral financial institution rated AAA by a credit rating agency registered with the Commission;
- (iv) **“Capital Event”** means the depletion of the equity (after the Callable Capital has been completely drawn down by the NBFC) of the NBFC.

Terms and Conditions,-

- (i) The NBFC shall not take any exposure against the Qualified Capital unless it has obtained a certificate from its statutory auditor that all the requirements specified above have been complied with;
- (ii) The certificate shall be supported by a legal opinion from a reputed law firm and copy of the certificate along with the legal opinion shall be submitted to the Commission; and
- (iii) With regard to its Qualified Capital, the NBFC, in relevant notes to its financial statements, shall make disclosures, which are necessary for the users to understand its salient features.”

Securities lending by Asset Management Companies on behalf of Collective Investment Schemes.- Following is the text of SECP's Circular No. 18 of 2019 dated December 20, 2019:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 and the Regulation 67A of Non-Banking Finance Companies and Notifies Entities Regulations, 2008 (the “Regulations”), read with regulation 37(7)(d) of the Regulations, prescribed the following conditions for lending of securities by Asset Management Companies on behalf of Collective Investment Schemes:-

- I. An Asset Management Company on behalf of Collective Investment Schemes namely equity, asset allocation, balanced and index schemes may lend equity securities maximum upto 10% of net assets of such Collective Investment Scheme out of its equity portfolio.
- II. An Asset management company 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.
- III. An Asset Management Company 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.

This circular is issued without prejudice to the requirements prescribed under Securities (Leveraged Markets and Pledging) Rules, 2011.”

Revision of fee.- Following is the text of SRO 1620(I)/2019 dated December 24, 2019:-

“In exercise of the powers conferred under clause (g) of sub-section (1) of section 21 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) the Securities and Exchange Policy Board is pleased to specify the following revised rate of fees,-

Regulated Activity	Revised Fee (in PKR)	
Voluntary Pension Scheme	Annual fee an amount equal to one twenty-fifth of one per cent (0.025%) of the average annual net asset value	
Non-Banking Finance Companies	Permission to form an NBFC	250,000
	Fresh licensing fee to carry out any form of business	500,000
Non-Banking Micro Finance Companies	Permission to form Non-banking Micro Finance Company	125,000
	Fresh licensing fee to carry out form of business	250,000
Collective Investment Schemes	Registration of an Open End Scheme or Closed End Scheme as notified entity	500,000
	Certificate of registration to act as a trustee of Collective Investment Scheme	500,000
Real Estate Investment Trusts	Registration of a REIT scheme as notified entity	500,000
Private Funds	Registration of a Private Fund as notified entity	500,000

Requirements for Assessing Suitability and Risk Categorization of Collective Investment Schemes (CIS).—Following is the text of SECP’s Circular No. 02 of 2020 dated February 06, 2020:-

“The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with regulation 66A(d) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby prescribes the following requirements for AMC’s to ensure suitability of CIS/plans to the investor:

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 ² [and/or short term Sukuk]	Very Low	Principal at very low risk
Money Market Funds with investment in corporate commercial papers ² [and/or short term Sukuk], Capital Protected Funds (non-equity), Income Funds with deposits/placement in AA or above rated banks/ DFLs 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 A and above rated banks, 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
CPPI 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 Tracker Funds and Sector Specific Equity related Funds.	High	Principal at high risk]

2. 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.

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

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

¹Substituted by Circular No. 32 of 2020 dated October 22, 2020.

²Words inserted by Circular No. 11 of 2022 dated October 13, 2022.

5. AMC's 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, AMC's shall establish appropriate mechanism to validate product suitability such as standard phone calls/SMS/Emails within the cooling-off period.

All AMC's shall ensure compliance within 60 days of the issuance of this Circular."

Eligibility to act as trustee of Collective Investment Schemes.-Following is the text of SECP's Circular No. 3 of 2020 dated February 20, 2020:-

"The Securities and Exchange Commission of Pakistan the (the "SECP") in exercise of the powers conferred under section 282(3) of the Companies Ordinance, 1984 read with regulation 40(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") hereby allows subsidiary of ISE Towers REIT Management Company Limited to apply for registration to act as trustee of Open End Scheme or Close End Scheme subject to the following terms and conditions:-

- (i) The company shall be a public limited company with principal line of business/primary object clause of providing trustee services to CIS, REIT Schemes and Private Funds under the NBFC Regulations, Private Funds Regulations, 2015 and the Real Estate Investment Trust Regulations, 2015.
- (ii) The company shall initially have equity of Rs.100.00 million, to be increased thereafter to Rs.200.00 million in five years and during this five year period the company shall at all times ensure that its equity is at least 0.10% of the net assets maintained under its trusteeship. The SECP may direct the company to fulfil additional capital requirements and the company shall be bound to comply with such direction.
- (iii) The sponsors of the company shall make best efforts for inclusion of licensed commercial bank/DFI as major shareholder.
- (iv) The Board of Directors and major shareholders of the company shall be subject to prior SECP approval and shall comply with the Fit and Proper Criteria as per Schedule IX of the NBFC Regulations 2008. The SECP 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.
- (v) The appointment of Chief Executive Officer of the company shall be subject to SECP approval.
- (vi) The company shall appoint at least 1/3rd independent directors on its board with at least one female independent director.
- (vii) Any change in ten percent or more shareholding of the company shall be subject to prior SECP approval.
- (viii) The company shall obtain sufficient insurance coverage from an insurance company having a minimum A-rating, against the wrongful act, fraud & forgeries and negligence of the company or any of its employees.
- (ix) The external auditor of the company shall be from category A of the panel of auditors maintained by State Bank of Pakistan.

- (x) The company shall not indulge in any activity other than the activities currently permitted to existing trustee companies and shall not undertake any other activity without prior approval of the SECP.”

ISE Towers REIT Management Company Limited.-Following is the text of SRO 125(I)/2020 dated February 21, 2020:-

“The Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), read with clause (v) of regulation 3A of the Real Estate Investment Trust Regulations, 2015, is pleased to notify that the subsidiary of ISE Towers REIT Management Company Limited is considered eligible for appointment as Trustee of a REIT scheme subject to fulfillment of such terms and conditions as may be specified by the Commission under clause (f) of regulation 40 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “NBFC Regulations”).”

Trustee as Financial Services Company.- Following is the text of SRO 126(I)/2020 dated February 21, 2020:-

“The Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), read with clause (xxa) of sub-rule (1) of rule 2 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), is pleased to notify that any company, engaged in providing trustee services to Collective Investment Schemes, Real Estate Investment Trusts or Private Funds, for the purposes of the said Rules, shall be considered as Financial Services Company within the meaning of clause (xxa) of sub-rule (1) of rule 2 of the said Rules.

This notification shall not, in any manner, be deemed to entitle any company to carry on or indulge in provision of any financial services or other activities which are required to be undertaken with prior authorization or permission or license by the Commission under the Securities and Exchange Commission of Pakistan Act 1997 (XLII of 1997) or any administered legislation or under any other law administered by any other regulatory authority including the State Bank of Pakistan.”

Investment in units of Exchange Traded Funds by Equity Oriented Collective Investment Schemes.- Following is the text of SECP’s Circular No. 4 of 2020 dated March 03, 2020:-

“The Securities and Exchange Commission of Pakistan in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(15) and 58(1)(p) and 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby allows Asset Management Companies (AMCs) to invest in units of Exchange Traded Funds (ETF) on behalf Collective Investment Schemes (CIS) subject to following conditions:-

- i. Equity oriented CIS namely equity, asset allocation, balanced and index schemes may take exposure in units of Exchange Traded Funds maximum upto 10% of net assets of such CIS.

- ii. An AMC shall charge single management fee in case of investment in the units of ETF if both the equity oriented CIS and ETF are being managed by the same AMC.”

Directive under section 12 of Securities Act 2015.- Following is the text of SECP’s Directive dated March 18, 2020:-

“WHEREAS, amid spread of COVID-19 and its potential impact on the economy, the stock market has declined significantly in a short span of time.

NOW THEREFORE, the securities and Exchange Commission of Pakistan (SECP), in exercise of the powers conferred under section 12 of the Securities Act, 2015, in the interest of the public, to ensure integrity of the securities markets and proper management of systemic risks, hereby directs the Pakistan Stock Exchange Limited (PSX) to only allow Blank Sale transactions in Deliverable Futures Market (DFM) on Uptick or Zero-Plus Tick, as defined in the PSX Regulations. The Uptick or Zero-Plus Tick rule shall be applicable for DFM April 2020 contract on the list of securities enclosed as Annexure.

Non-compliance with directions of the SECP is subject to actions under the Securities Act, 2015.”

IAS 39 for NBFCs.- Following is the text of SRO 273(I)/2020 dated March 30, 2020:-

“In exercise of the powers conferred by section 510, read with sub-section (1) of sections 225 of the Companies Act 2017 (XIX of 2017), and in modification of S.R.O. 1332(I)/2019 dated November 7, 2019, the Securities and Exchange Commission of Pakistan is pleased to modify the effective date for applicability of International Financial Reporting Standard 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies as “Reporting period/year ending on or after June 30, 2021 (earlier application is permitted)”.”

Relaxation to lending NBFCs including NBMFCs under Regulation 67A of the Non-Bank Finance Companies and Notified Entities Regulation. 2008.- Following is the text of SRO 273(I)/2020 dated March 30, 2020:-

“In order to facilitate the lending non-bank finance sector in rescheduling their borrowers under the present circumstances owing to the outbreak of COVID-19 (Coronavirus) pandemic, the Securities and Exchange Commission of Pakistan (the "Commission"), in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulations 25 and 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations"), hereby allows following relaxations to all lending Non-Bank Finance Companies (NBFCs) including the Non-Bank Microfinance Companies (NBMFCs):

1. NBFCs upon a written request of a borrower received before June 30, 2020, may defer repayment of principal loan amount by one year, provided that the borrower will continue to service the mark-up amount as per agreed terms and conditions. The NBFCs will convey their decision to the borrower within 15

working days after the receipt of the written request. In case, the request of a borrower is declined, the reasons thereof shall be communicated to the borrower. The above-mentioned deferment will not affect the credit history of the borrower and will not be reported as restructuring in ECIB.

2. The financing facilities of such borrowers, who are unable to service the mark-up amount or need deferment exceeding one year, may be rescheduled / restructured upon their request. If the rescheduling I restructuring is done within 90 days of the loans being overdue in case of microfinance and within 180 days of the loan being overdue in case of other finance facility, such facilities will continue to be treated as regular and reported in the ECIB accordingly.

3. The NBFCs shall not classify the financing facilities of such borrowers who have requested for deferment under para 1 or rescheduling I restructuring under para 2, unless the payment obligations are past due by 90 days in case of microfinance and 180 days in case of other finance facility. If the deferment or rescheduling I restructuring is not executed successfully within the specified past due periods, such financing facilities shall be classified as "Doubtful" in case of microfinance and "Substandard" in case of other finance facilities, as per Schedule X of NBFC Regulations.

4. The aforesaid relaxations, specified at paras 2 and 3 above, shall stand expired on March 31, 2021; and afterwards prevailing provisions of the NBFC Regulations shall be applicable. Moreover, the aforesaid treatment shall be available for loans, which were regular as on February 15, 2020 and became non-performing subsequently."

Relaxation from certain provisions of NBFC and notified entities regulations, 2008 and Circulars due to COVID-19 pandemic.- Following is the text of Circular No. 11 of 2020 dated April 09, 2020:-

The COVID- 19 (Coronavirus) has affected many businesses around the world and has been declared as a pandemic. Due to the prevailing situation and in pursuant to the challenges faced by Asset Management Companies in complying with certain requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations"), the Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282(3) of the Companies Ordinance, 1984 read with sub-regulation 67(A) of the NBFC Regulations hereby allows the following relaxations for 90 days or as mentioned below in relation to compliance with certain requirements of the NBFC Regulations and circulars issued thereunder:-

1. Time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations is extended from four months to six months.
2. Time for announcement of daily NAV as per the requirement of Circular No. 11 of 2009 dated March 26, 2009 is extended from 18:30PM to the start of next working day.
3. Time for submission of monthly returns for the month of March 2020 as per the requirement of Circular No. 1 of 2010 dated January 15, 2010 is extended for 10 days, i.e. by April 20, 2020.
4. Maximum limit for application of discretionary discount as per Annexure- I, Chapter 3 of Circular No. 33 of 2012 dated October 24, 2012 has been enhanced as per following table:-

5. The time period for classification of a debt security to non-performing category is extended from 15 days to 180 days as per the requirement of annexure II of Circular No. 33/2012 dated October 24, 2012. 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.
6. AMCs may inform investors through SMS or email in lieu of account statement to comply with the requirements of Circular No. 26 of 2015 dated July 27, 2015.
7. Requirements of obtaining IFMP Certifications as per Circular No. 41 of 2016 dated December 30, 2016 is extended from six months to nine months.
8. Deadline for implementation of Circular No.2 of 2020 dated February 6, 2020 is extended for further 60 days.”

Relaxation from certain provisions of NBFC Regulations, 2008.- Following is the text of Circular No. 16 of 2020 dated April 21, 2020:-

“The COVID-19 (Coronavirus) has affected many businesses around the world and has been declared as a pandemic. Due to the prevailing situation and in pursuant to the challenges faced by Asset Management Companies in complying with certain requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") the Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with sub-regulation 67(A) of the NBFC Regulations hereby allows the following further relaxations in relation to compliance with certain requirements of the NBFC Regulations:-

1. The time period for submission of the quarterly financial statements of Open End Scheme and Close End Scheme for the quarter ended on March 31, 2020 under Regulation 38(2)(f) of the NBFC Regulations is extended by 30 days i.e. till May 31, 2020; and
2. Time to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC Regulations, 2008 is increased to 180 days for Open End Schemes currently non-complaint with minimum fund size requirement and Open End Schemes that may become non-complaint within next 90 days of issuance of this circular.”

Extension in Time for Compliance with Requirements for Assessing Suitability and Risk Categorization of Collective Investment Schemes (CIS).- Following is the text of Circular No. 20 of 2020 dated June 17, 2020:-

“Pursuant to the challenges being faced by Asset Management Companies (AMCs) during the pandemic of COVID-19, the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with sub-regulation 67(A) of the Non-Banking Finance Companies & Notified Entities Regulations, 2008; hereby

allows AMCs a further extension till July 24, 2020 to ensure compliance with requirements of Circular No.2 of 2020 dated February 6, 2020. The AMCs are directed to ensure compliance during the extended time period without any further delay.

Relaxation to NBMFCs under Regulation 67A of the Non-Bank Finance Companies and Notified Entities Regulation, 2008.- Following is the text of Circular No. 21 of 2020 dated June 29, 2020:-

“In exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulations 25 and 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, and in partial modification of Circular No.9 of 2020 dated March 31, 2020, the Securities and Exchange Commission of Pakistan is pleased to allow three months’ extension in time to Non-Bank Microfinance Companies ("NBMFCs") for accepting borrowers' requests to defer repayment of principal loan amounts, as mentioned at serial number 1 of the Circular.

Accordingly, an NBMFC may, upon a written request of a borrower received before September 30, 2020, defer repayment of principal loan amount by one year, provided that the borrower will continue to service the mark-up amount as per agreed terms and conditions. All other provisions of the Circular No. 9 shall remain the same.”

Illustrative Financial Statements and Disclosure Checklists for Public Interest companies and Medium-sized companies.- Following is the text of ICAP’s Circular No. 10 of 2020 dated August 12, 2020:-

“The Institute's Technical Services team is pleased to issue the Illustrative financial statements and disclosure checklists for:

- (a) **Public Interest companies**- Prepared in accordance with the International Financial Reporting Standards (IFRS) as notified by the Securities and Exchange Commission of Pakistan and fourth schedule to the Companies Act 2017 (the Companies Act); and
- (b) **Medium-sized companies**- Prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and fifth schedule to the Companies Act.

(The illustrative financial statements and disclosure checklist for the Medium-sized companies were initially issued to by the Institute, through Circular 8/2018, dated July 19, 2018. Consequent to the revision of fifth schedule to the Companies Act by SECP (through, S.R.O. 888(1)/2019, dated July 29, 2019) the illustrative financial statements and the disclosure checklist for Medium-sized companies have been revised).

These documents have been developed on the advice of the Accounting Standards Board.

For your facilitation, the Illustrative financial statements:

- Cover a wide set of illustrative disclosures based on range of circumstances, transactions and events;
- Provide source/ reference for each presentation and disclosure; and

- Contain the original texts for the presentation and disclosure requirements (extracted from the IFRS, IFRS for SMEs, fourth and fifth schedules of the Companies Act, as the case may be).

The disclosure checklist for the Public Interest companies compiles the disclosure requirements of IFRS and fourth schedule to Companies Act; while the disclosure checklist for the Medium-sized companies contains the disclosure requirements of IFRS for SMEs and fifth schedule to the Companies Act.

You can download these documents from <https://www.icap.net.pk/accounting-guidancetools>

It is pertinent to explain that the illustrative disclosures should always be considered in context of the company specific materiality thresholds, events, transactions and circumstances and needs of financial statements users. Accordingly, the illustrative presentation and disclosures contained in the publications may not be required due to the company specific materiality threshold or absence of a particular transaction or event. Moreover, the example disclosures are not the only acceptable form of presenting financial statements. A company may provide alternative and/or additional presentations and disclosures, provided they comply with the specific requirements prescribed in IFRS, IFRS for SMEs and the Companies Act.

We hope that members and preparers of financial statement will use these publications as a guidance resource and share these with others who may be interested.”

Extension in filing of Annual AML/CFT Risk Assessment.- Following is the text of SECP’s Circular No. 24 of 2020 dated August 27, 2020:-

“Due to the recent outbreak of Coronavirus Pandemic (COVID-19), and its impact on the public health and the lockdown situation in the country, the Regulated Persons are facing various difficulties in ensuring compliance with regulatory requirements related to reporting and submission of information in the manner prescribed under Directive 55(1)/2020 dated January 28, 2020.

The term Regulated Person (“RP”) has been defined in the AML/CFT Regulations, 2018 as follows: “Regulated Person” for the purposes of these regulations means securities brokers, Commodities brokers, Insurers, Takaful Operators, NBFCs and Modarabas.

The Securities and Exchange Commission of Pakistan in discharge of its statutory responsibilities for beneficial regulation of the regulated financial sector seeks to clarify as follows:

i. Relaxation in submission of Annual and Quarterly information under Directive 55(1)/2020:

In view of Directive 55(1)/2020 dated January 28, 2020 a fifteen (15) days extension in filing of AML/CFT Annual AML/CFT Risk Assessment and relevant information is provided to all RPs facing difficulties in submission of information as of June 30, 2020, required to be submitted by July 30, 2020.

Now, the new deadline for submitting the annual and quarterly information as of June 30 is being extended to August 15, 2020. This extension is for submission as of period ended June 30, 2020 only.”

Categorization of Open-End Collective Investment Schemes (CIS).- Following is the text of SECP's Circular No. 31 of 2020 dated October 22, 2020:-

“This is further to Circular No. 7 of 2009 dated March 6, 2009, Circular No. 16 of 2010 dated July 07, 2010, Circular No. 32 of 2012 dated October 18, 2012, Circular No.9 of 2013 dated June 11, 2013 and Direction No. 01 of 2016 dated January 26, 2016 on "Categorization of Open End Collective Investment Schemes".

The Securities and Exchange Commission of Pakistan in exercise of powers conferred under subsection (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulations 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby prescribes that the Money Market Funds may take maximum exposure of twenty (20) per cent of the net assets of the CIS in commercial papers of corporate entities subject to compliance with the exposure limits as prescribed in Non-Banking Finance Companies and Notified Entities Regulations, 2008.

All AMCs shall ensure compliance within sixty (60) days of issuance of this Circular.”

Requirements for Digital Account Opening by Asset Management Companies (AMCs).- Following is the text of SECP's Circular No. 35 of 2020 dated December 30, 2020:-

“The Securities and Exchange Commission of Pakistan in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) hereby prescribes the following minimum criteria for opening of digital accounts for Pakistani Individual Customers by Asset Management Companies (AMCs):

1.	Eligible Customers	Pakistani Individual Customers having: i. an active Account at any Bank/ active E-Wallet Mobile Account; and ii. an active mobile number in his/ her own name
2.	Minimum customer information/ personal profile/ documents required by AMCs	The customer shall access the online portal (website, mobile App or any third party application) and provide the following minimum information for the purpose of registration: i. Customer's name ii. Father/ Spouse Name iii. Date of Birth iv. CNIC/ Identification Number with scanned copy along with date of issuance and expiry v. Existing residential and mailing address vi. Mobile Number registered in his/ her name Provided that the AMCs may in special circumstances use where the Pakistani Individual Customer does not have mobile number in his/ her own name, the mobile number of close family member or the mobile number provided to Pakistani Individual Customers by his/ her employer, or the international mobile number of Pakistan Individual Customer having CNIC/ NICOP and an active Account at any Bank/ active E-Wallet Mobile Account subject to the following:

		• In case where mobile number of close family member is provided, a duly signed written authorization, on prescribed format, from both the Pakistani Individual Customers and the person whose mobile number is being provided; • In case where mobile number provided by employer is used, Pakistani Individual Customers shall provide the bill of service provider in accordance with the procedures and a letter from employer stating that the said mobile number is provided by employer to its employee; • In case where international mobile number is used, Pakistani Individual Customers shall provide the bill of service provider in accordance with the procedures. <i>Explanation:</i> "For the purpose of this Circular, the term" close family member" shall mean and include spouse, dependent parents and dependent children only. vii. Email ID viii. Mother's maiden name ix. Bank/E-Wallet Name and Bank Account IBAN Number/ E-Wallet Mobile Account Number x. Digital/ online signature card xi. Details of nominee xii. Source of fund/ income xiii. Dividend mandate xiv. Operating Instruction, if any xv. Statement of account request xvi. Digital/ online declaration regarding profession and sources of fund/ income along with uploading of valid document(s) as proof thereof xvii. Digital/ online undertaking declaring that funds being invested are his/ her own funds and that the funds beneficially owned by other persons will not be used and uploading of declaration/ undertaking as a proof thereof
		xviii. Digital/ online consent for account opening and using information/ documents provided digitally/ online for necessary due diligence and verification functions xix. Digital/ online acceptance of Terms & Conditions of the account xx. Any other documents required under AML Act, 2010 and Securities and Exchange Commission of Pakistan (Anti Money laundering and Countering Financing of Terrorism) Regulations, 2020 (AML/CFT Regulations) (customer specific) After submission of the required information and documents, a message shall pop up for the customer on the online portal that his/her request is in process and he/ she will receive an One Time Password (OTP) once the basic information is verified.

3.	Verification by AMCs	AMC will carry out required due diligence including but not limited to: a) Verification of the CNIC/National Identity Card for Overseas Pakistanis (NICOP)/Pakistan Origin Card (POC) of customer through NADRA VERISYS; b) The CNIC and mobile number pairing (whether it is registered in the name of the customer) through Pakistan Mobile Network Database ("PMD"); Provided further that in all the circumstances mentioned in proviso of clause 2 (vi) above, AMC shall perform 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. c) Screening of the prospective customer against applicable sanctions regimes (UNSC, NAGA, etc.); d) IBAN/E-Wallet Mobile Account Number verification through I-link title fetch service or IBAN/E-Wallet Mobile Account Number and CNIC Pairing or 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; Provided that for such Pakistani Individual Customers who do not have mobile number is their own name or provide international mobile number, IBAN/E-Wallet Mobile Account Number verification through I-link title fetch service or IBAN/E-Wallet Mobile Account Number and CNIC Pairing AND Digital Verification to conduct online face to face interaction on real time basis shall be mandatory. e) Verification of contact details through One Time Password, email or Call back; In case the verification is successful, an OTP shall be generated and immediately sent on the designated mobile number and/or email address of the customer, as the case may be, valid for a limited period of time. f) AMC shall ensure before opening the account that all documents required for screening and risk rating are available and it can conducts screening and risk rating. g) The customer will not be allowed to proceed in case the information cannot be successfully verified by AMC.
4.	Account Opening and Activation	The AMC will 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. The opening of customer account shall be subject to compliance with all other applicable legal and regulatory requirements.
5.	Additional Measures by AMCs	➤ AMCs shall develop SOPs for: 0 Information and documents to be collected through website/mobile App;

		0 Turnaround time (TAT) for decision to open or decline account is 3 working days from the time of upload of all information/ documents. In case of any discrepancy in documents or where additional documents are required, AMC would revert back to customer within the 3 working days; ➤ AMCs shall not open digital/online accounts in joint names; ➤ AMCs may record the real time online face to face interaction call with the customer while carrying out KVC process for opening of account; ➤ AMCs to ensure data/privacy protection, safety and security of information/ documents through reliable IT infrastructure; ➤ 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; ➤ 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; ➤ AMCs may carryout periodical re-profiling of the customers in accordance with AML/CFT policy; ➤ AMCs shall deploy adequate controls to ensure that customer is not a robot (e.g. CAPTCHA Codes); ➤ AMCs shall ensure customer care service through call centre; ➤ To eliminate the risks of impersonation of the customer or identity theft, the AMC should take appropriate security measures;
6.	Types of CIS offered by AMCs	All types of mutual funds may be offered to the customers subject to minimum investment limits as per the Constitutive Document of the fund and compliance with disclosure, disclaimer, risk profiling, risk categorization and other regulatory requirements.

AMCs shall at all times comply with all requirements of AML Act, 2010 and AML/CFT Regulations, 2020 issued by SECP from time to time.

This Circular shall come into force with immediate effect.”

Requirements for Digital Account Opening by Asset Management Companies (AMCs).- Following is the text of SECP’s Circular No. 03 of 2021 dated February 11, 2021:-

“This is in continuation to Circular 35 of 2020 dated 30th December 2020. The Securities and Exchange Commission of Pakistan in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) hereby allows Pension Fund Managers registered under Voluntary Pension System Rules, 2005 to digitally open Individual Pension Accounts by complying with the requirements prescribed for Digital Account Opening by Asset Management Companies (AMCs) vide circular 35 of 2020 dated 30th December 2020.

Pension Fund Managers shall at all times comply with all requirements of AML Act, 2010 and AMVCFT Regulations, 2020 issued by SECP from time to time.

This Circular shall come into force with immediate effect.”

Accounting Guidance-Application of IFRS 9 by Non-Banking Finance Companies.-

Following is the text of SECP’s Circular No. 02 of 2021 dated May 26, 2021:-

“The Accounting Standard Board with the objective to facilitate Non-Banking Finance Companies (NBFCs) in the implementation and transition to IFRS 9, *Financial Instruments*, has developed the Accounting Guidance '*Application of IFRS 9 by Non-Banking Finance Companies*'.

This Accounting Guidance aims to assist NBFCs in developing consistent understanding and effective application of IFRS 9, and discusses key areas of IFRS 9, including:

- Classification and measurement of financial assets and financial liabilities;
- Application of Expected Credit Loss (ECL), *and* interaction of ECL with the time-based classification and provisioning requirements provided in the Non-Banking Finance Companies and Notified Entities Regulations 2008; and
- Disclosure requirements.

You can also access the publication at <https://www.icap.net.pk/accounting-guidancetools>. The Accounting Standards Board with objective to ensure consistent application of financial reporting framework also provides implementation support to the stakeholders. In context of IFRS 9 application by NBFCs, Accounting Standards Board would welcome the opportunity to respond to the emerging accounting issues raised by the stakeholders.”

Requirements for Asset Management Companies (AMCs) to Advertise Open End Collective Investment Schemes (CIS).- Following is the text of SECP’s Circular No. 16 of 2021 dated June 10, 2021:-

“This is further to Circular No. 16 of 2014 on "Requirements for Asset Management Companies to Advertised Open End Collective Investment Schemes".

The Securities and Exchange Commission of Pakistan (the Commission) in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with Regulation 54 (4) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, specifies the following additional requirements for performance presentation (*a sample illustration is also enclosed for guidance purposes only*) in all forms of advertisements including newspaper and social media advertisements related to equity schemes of an Open-end CIS, for compliance by AMCs.

- i. 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. In case of new funds launched during the year, performance data of a CIS shall be presented only if it has an investment track-record of not less than six months, as required under Circular 16 of 2014.
- ii. 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.
- iii. The font size of benchmark returns shall not be less than 30% of the performance figure(s). Explanation: *If font size of performance figurers) is 60, font size for benchmark returns shall be equal to or more than 18.*
- iv. 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”.
- v. The disclaimers mentioned in above-mentioned circular 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 ii above. The hoarding and billboard disclaimer shall cover at least 20% of the total display space of the advertisement.

The exemption earlier provided to newspapers and social media advertisement vide para 16 of abovementioned circular has been withdrawn.

This circular shall come into force with immediate effect and all AMCs are required to ensure compliance in letter and spirit. All other requirements prescribed through Circular No. 16 of 2014 and not amended through this circular shall remain intact.

Effective date of applicability of IFRS-9 & IAS 39.- Following is the text of SRO 800(I)/2021 dated June 22, 2021:-

“In exercise of the powers conferred by section 510, read with sub-section (1) of sections 225 of the Companies Act 2017 (XIX of 2017), and in modification of S.R.O. 273 (I)/2020 dated March 30, 2020 and S.R.O 321(I)/2020 dated April 17, 2020, the Securities and Exchange Commission of Pakistan is pleased to modify the effective date for applicability of *International Financial Reporting Standard 9 - Financial Instruments* in place of *International Accounting Standard 39 (Financial Instruments: Recognition and Measurement)* for Non-Banking Finance Companies and Modarabas, as “Reporting period/year ending on or after June 30, 2022 (earlier application is permitted)”.”

Investment in Units of Unlisted or Privately Placed REIT Scheme by Equity Oriented Collective Investment Schemes.- Following is the text of SECP’s Circular No. 19 of 2021 dated June 23, 2021:-

“The Securities and Exchange Commission of Pakistan, in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(15) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) hereby allows Asset Management Companies (AMCs) to invest, on behalf of equity oriented Collective Investment Schemes (CIS) namely equity, asset allocation, balanced and index schemes, in units of unlisted or privately placed REIT Scheme, which shall be listed on a securities exchange within a period of three years from its financial close as provided in Regulation 5(3) of the REIT Regulations, 2015 subject to the following:-

- i. The CIS shall take exposure in units of unlisted or privately placed REIT Schemes upto a maximum of 5% of net assets of CIS or 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.
- ii. An AMC before investing shall ensure that;
 - a) investment in units of unlisted or privately placed REIT scheme are correctly valued and priced for the purpose of calculation of NAV; and
 - b) mechanism is available for exit of the CIS from such REIT scheme.

This circular is in continuation to Circular No. 19 of 2015 dated May 15, 2015.”

Minimum Requirements for Exchange Traded Funds to be managed by Asset Management Companies.- Following is the text of SECP’s Circular No. 20 of 2021 dated June 23, 2021:-

“In order to facilitate the launch of Exchange Traded Funds (ETFs) 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-Bank in g 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 Regulation 37(7)(h), 41(k), 54(3a), 57 and 58(1)(1) of the NBFC Regulations

I. ELIGIBILITY

A on-Banking Finance Company licensed by the Commission to provide Asset Management Services, i.e. Asset Management Company (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.

II. 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:

- a. A Securities Broker, as defined in the Stock Exchange Regulations, operating in active status;
- b. A Banking Company, as defined under the Banking Companies Ordinance, 1962;
- c. A Development Finance Institution (DFI): and
- d. 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 A.

- 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 or the Portfolio Deposit may change from time to time.
- l) **Tracking error** means the standard deviation of the difference between daily returns of the underlying Benchmark Index and the 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.

III. NAME OF SCHEME, INVESTMENT OBJECTIVE AND ACCEPTABILITY OF INDEX

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 n to this Circular.
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.
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:

i. Equity ETF shall;	ii. Debt ETF shall;
a) have clearly defined objective; b) be investible; c) appropriately reflect the characteristics of the relevant market or sector; d) be able to fairly reflect price movements of its component securities, and change the composition and weightings of the component securities; e) be broadly based and be sufficiently liquid with no one component security constituting more than 20% of the total value of the ETF. However, such limit on an individual scrip shall not apply in case of well recognized indices; f) be transparent. shall conveniently be accessible by investors and published in an appropriate manner: and g) be based on securities listed and traded on a stock exchange in Pakistan.	a) have a clearly defined objective; b) be investible; c) be able to fairly reflect price movements of its 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 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) rating of any security in the Debt ETF portfolio shall not be lower than investment grade: 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.

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.
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. AMC shall ensure that the underlying index to be tracked by the ETF shall fulfil all the eligibility requirements as stated in clause 3 above.
7. The Commission may withdraw registration of an ETF if its index no longer complies with the requirements of above stated clause 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.
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.

IV. INVESTMENT RESTRICTIONS IN AN ETF

10. 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.

11. 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.

12. 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.

13. 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 noncompliance or breach of such investment limits shall be rectified within 3 business days.

14. 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.

15. 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.

V. ISSUANCE AND REDEMPTION OF CREATION UNITS

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. The Trustee of an ETF shall ensure issuance of Creation units upon completion of transfer of title of the portfolio deposit and/or cash component in the name of the ETF.

VI. PRICING AND DEALING

22. AMC shall issue or redeem Creation units only at the NAV calculated in accordance with the Constitutive Documents.

23. 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.

24. 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.

25. 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.

26. 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 an 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.

27. The Trustee of an ETF shall ensure that issuance and redemption of Creation units is done on pricing basis as disclosed in the offering document by the AMC and any transfer or underlying securities into and out of the ETF is also based on the valuation used in determining the ETF'S NAV.

VII. AUTHORIZED PARTICIPANTS

28. AMC shall ensure that the APs have sufficient resources and capabilities to satisfactorily fulfill their roles and obligations and comply with the requirements on an ongoing basis.

29. 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.

VIII. MARKET MAKERS

30. 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.

31. 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.

IX. DEALING OF ETF UNITS ON THE STOCK EXCHANGE

32. 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.

33. 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.

34. 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.

35. Trading in ETF units on the exchange may continue during the period of suspension of issuance and redemption of ETF units.

36. 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.

X. DISSEMINATION OF INFORMATION

37. 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.

38. 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.

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.

XI. FEES AND EXPENSES OF ETF

40. 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.

41. AMC shall ensure that all expenses chargeable to the ETF are properly and clearly disclosed in the Constitutive Documents.

XII. NON-APPLICABILITY OF REGULATION 37(7)(h), 41(K), 54(3a), 57 AND 58(1) (1) OF THE NBFC REGULATIONS

42. 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 (1) of the said Regulation;
- e) The prohibition under Regulation 58(1)(1), from issuance of units for consideration other than cash, in case of in-kind issuance of Creation units of an ETF; and
- f) The requirement relating to criteria for investing in equity shares as laid in Circular No. 13 of 2017.

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.

Annexure A

MINIMUM CONTENT TO BE COVERED IN AUTHORIZED PARTICIPANT (AP) AGREEMENT

AP agrees to act as a market maker of the Fund (the ETF) and the Asset Management Company (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 AM 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 B

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 AND MARKET MAKERS

- (vi) Role, Duties and Responsibilities of Authorized Participants and Market Makers;
- (vii) Names and Contact information of Authorized Participants and Market Makers; and
- (viii) Salient features of Authorized Participant Agreement.

BENCHMARK INDEX

- (ix) Profile of Benchmark Index;

- (x) Constituent of Benchmark Index;
- (xi) Circumstances under which Benchmark Index of ETF may change;
- (xii) Disclosure of Risk Factors related to Benchmark Index;
- (xiii) 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;
- (xiv) Frequency with which benchmark index composition is reviewed;
- (xv) Means by which investors may obtain the latest benchmark index information and other important news of the index; and
- (xvi) Target tracking error

OFFER/REDEMPTION OF UNITS

- (xvii) Offer Of units during Pre-Listing phase (Initial Offer);
- (xviii) Offer of units in Post-Listing phase:
- (xix) Procedure for In-Kind Creation:
- (xx) Procedure for In-Kind Redemption including monetary and time cost to the investor, and policy for partial shares;
- (xxi) Procedure of Trading of ETF units on exchange;
- (xxii) Timeline for issuance and redemption of Creation Units; and
- (xxiii) Frequency and Notification of change in Portfolio Deposit.

INAV

- (xxiv) Calculation Methodology of INAV;
- (xxv) Mode and frequency of dissemination of INAV; and
- (xxvi) Entity responsible for transmitting INAV.

WARNINGS/RISKS

- (xxvii) 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;
- (xxviii) A statement to the effect that there is no guarantee or assurance of exact or identical replication at any time or the performance or the benchmark index;
- (xxix) Circumstances that may lead to tracking errors and the related risks, and strategies employed in minimizing such errors;
- (xxx) A warning that benchmark index composition may change and underlying securities may be delisted;
- (xxxi) 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;
- (xxxii) 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;

- (xxxiii) 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
- (xxxiv) any other information which is relevant and material for investors to make an informed investment decision.”

Regulatory Framework for Account Opening by Asset Management Companies (AMCs).- Following is the text of SECP’s Circular No. 26 of 2021 dated October 07, 2021:-

“In line with the objectives to enhance ease of doing business through digitalization, promote micro-savings to enhance financial inclusion and adoption of an easy customer onboarding process for the Asset Management Companies ("AMCs") and Pension Fund Managers, the Securities and Exchange Commission of Pakistan (SEEP) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) is pleased to specify the following Simplified criteria of account opening for Pakistani Individual Customers and/ or Pakistan Origin Card (POC) holders:-

1.	Eligible Customers	Pakistani Individuals having valid identification documents (CNIC/SNIC/NICOP/ SNICOP/ POC/ Form-B) can open accounts either solely or jointly.				
2.	Account Based on investment limits	2.1 Customers shall be categorized into the following accounts subject to their investment and transaction limits:				
		Accounts	Maximum Annual Investment Umlt ¹ (Rupees)	Cumulative Investment Limit at any Point in Time ² (Rupees)	Maximum Transaction Limit (Rupees)	Type of Collective Investment Schemes (CIS)/ Voluntary Pension System (VPS) to be offered to the Customers
		Sehl Sarmayakari	100,000	200,000	25,000	Money Market and low risk income Schemes/ Money Market and Debt-Sub fund of VPS

¹ Muimum annual Investment Limit means the investment inflows in an account during last one year, starting from date of account opening.

² Cumulative investment limit means net investment inflows in an account starting from date of account opening to any point in time.

		Sahulat Sarmayakari	800,000	1,000,000	400,000	¹ [All CIS/ VPS subject to Customer Risk Profiling i.e. Suitability Assessment (optional for Money Market and low risk Income Schemes)]
		Sarmayakari	No Limit	No Limit	No Limit	¹ [All CIS/ VPS subject to Customer Risk Profiling i.e. Suitability Assessment (optional for Money Market and low risk Income Schemes)]
		<i>Note: Transaction limits 0''' treated separately for both investment/ contribution and redemption/ withdrawal.</i> ¹[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.] 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. 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[2.5 AMCs shall ensure that the investment and transaction limits against each CNIC are in compliance with the respective account limits.]				
3.	Minimum Customer information/ personal profile required by AMCs	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 information/ being on boarded. 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:				

¹Substituted by Circular No.32 of 2021 dated December 08, 2021.²Inserted by Circular No.32 of 2021 dated December 08, 2021.

Basic Details for Sahulat Sarmayakari & Sarmayakari Accounts

	i. Name as per Identification Document	ii. Identification Document Number with Copy/scanned copy/legible image;
	iii. Mother's maiden name/ Generate T-PIN with the Customer	iv. Contact Details:- a. Mobile Number (Mandatory) b. Landline (Optional)
	c. Source(s) of income / funds	d. Occupation
	e. Bank Account IBAN Number/ E-Wallet Mobile Account Number	f. Residential Status along with existing residential and mailing address
	g. Signatures for physical accounts only	h. E-mail (optional)
	¹ [i. Next of Kin details: Name and Mobile Number/ Emergency Contact Number (optional);]	j. All applicable undertakings and declarations including ultimate beneficial owner declaration.
	¹ [k. Disclosure related to PEP/ PEP Assessment by AMC]	l. Place of birth
	*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: ¹[i. Education (optional);] 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.	
4.	Minimum Document required by AMCs	¹[4.1 For online opening of Sahulat accounts, the AMC ²[may] ensure compliance with applicable regulatory framework in respect of obtaining documentation from the platform through which customer is being onboarded.] ³[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.] 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

¹Substituted by Circular No.32 of 2021 dated December 08, 2021.²Substituted for "shall" by Circular No. 09 of 2022 dated September 26, 2022.³Words inserted by Circular No. 09 of 2022 dated September 26, 2022.

		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.	Verifications 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: - i IBAN/ E-Wallet Mobile Account Number title verification through 1-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 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.

		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 on boarded 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.
¹ [		]
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.

¹Para 7 deleted by Circular No.09 of 2022 dated September 26, 2022. Before omission it read as follows:-

"7.	Activation of Dormant and Blocked Accounts	7.1 Accounts marked dormant as defined in AML/CFT Regulations shall be activated after customer's request along with date of issuance and expiry of identification document.
		7.2 Accounts blocked due to expired identification document as required in AML/CFT Regulations shall be activated after obtaining copy of renewed identification document along with date of its issuance."

		8.3 AMCs shall record the real-time online face-to-face interaction call with the customer Types of CIS/ 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.	Types of CIS/ VPS offered by AMCs	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. ¹ [Provided that Customer Risk Profiling i.e., Suitability Assessment is optional for investors of Money Market and low risk Income Funds]

¹Substituted by Circular No.32 of 2021 dated December 08, 2021.

10.		AMCs shall at all times comply with all provisions 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.
11.		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.
12.		This circular 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.
13.		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 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.
14.		This circular applies to all accounts opened either directly with the AMCs or through any distribution platform.
15.		For the purposes of this circular, AMCs also include Pension Fund Managers.
16.		All AMCs shall ensure compliance within 90 days of the issuance of this Circular.”

Mandatory Certification for the Professionals of Capital Market:- Following is the text of SECP's Circular No. 27 of 2021 dated October 05, 2021:-

“This is in continuation to Circular No.9 of 2015, Circular No. 47 of 2015 and Circular No. 10 of 2018 dated April 08, 2015, December 30, 2015 and July 03, 2018 respectively. The Securities and Exchange Commission of Pakistan in exercise of its powers conferred under section 40(B) of the Securities and Exchange of Pakistan Act, 1997, hereby makes the following amendments to the above-referred circulars:

1. The Pakistan Markets and Regulation Program (PMR) and Fundamentals of Capital Market Certification (FCM) shall be mandatory only for the Chief Executive Officer/Managing Director, Chief Compliance Officer and Head of Sales, by whatever name called, of securities brokers.
2. The Stock Broker Certification (SBC) shall be mandatory only for all sales staff i.e. personnel performing the sales function of securities brokers. These do not include personnel employed for administrative, operations and other staff members including the system/ trading terminal operators.
3. The existing above mentioned personnel shall obtain the PMR, FCM and SBC Certification, whichever relevant, within 18 months of the date of issuance of this circular.
4. All new professionals, as mentioned above, joining brokerage house after the date of issuance of this circular shall obtain the PMR, FCM and SBC certification, whichever relevant, within 12 months of their joining.

5. All other requirements of the above-referred circulars shall remain the same.

This circular shall come into force with immediate effect and all securities brokers are required to ensure its meticulous compliance in letter and spirit.”

Criteria for investing in Equity Securities by Collective Investment Schemes (CIS):-

Following is the text of SECP’s Circular No. 28 of 2021 dated October 28, 2021:-

“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

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;

- i. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
- ii. 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.

- iii. 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
- iv. 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.

2. The AMCs shall not invest in any company against which winding-up proceedings have been initiated and/ or a 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:

- i. A show-cause notice for winding up has been issued to the Company by the Commission.
- ii. 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.
- iii. Winding-up petition is filed by the shareholders who own at least 10% of the company's paid-up capital.
- iv. 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.

Further, the Circular 13 of 2017 dated April 28, 2017 has been repealed.”

Disclaimer on Use of Name and logo of Bank' Sponsor by Asset Management Companies:- Following is the text of SECP's Circular No. 29 of 2021 dated October 28, 2021:-

“The Securities and Exchange Commission of Pakistan in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 directs 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 issuance of this Circular.

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

Master Circular for Mutual Funds/ Collective Investment Advisory Services:- Following is the text of SECP's Circular No. 30 of 2021 dated November 30, 2021:-

“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 Collective Investment Schemes/Investment Advisory Services, issues this Master Circular containing consolidated circulars issued up to June 30, 2021 on the subject matter.”

(in detailed not reproduced here)

Licensed Banking Cos. Allowed for Roshan Digital Accounts, etc:- Following is the text of SRO 1581(I)/2021 dated December 07, 2021:-

“In exercise of the powers conferred by section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with sub-section (3) of section 64 of the Securities Act, 2015 (III of 2015), the Securities and Exchange Commission of Pakistan is pleased to grant exemption to the banking companies licensed and authorized by the State Bank of Pakistan to open Roshan Digital Accounts (RDA) and performing the function of distributing units of Collective Investment Schemes (CIS) and/ or Voluntary Pension Schemes (VPS) of multiple Asset Management Companies (AMCs) to their RDA holders, from the requirement of obtaining license under sub-section (1) of section 64 of the securities Act, 2015 (III of 2015), to undertake regulated securities activity as securities advisor:

Provided that such banking companies shall comply with all other requirements prescribed under the applicable regulatory framework.”

Categorization of Open-End Collective Investment schemes*:- Following is the text of SECP’s Circular No. 03 of 2022 dated February 10, 2022:-

“In continuation of Circular No.7 of 2009 dated March 6, 2009 and Circular No. 32 of 2012 dated October 18, 2012 where in the categorization of Open-end collective investment schemes has been prescribed, the Securities and Exchange Commission of Pakistan in exercise of powers conferred under Section 282B (3) of the Part VIIIA of the Companies Ordinance, 1984 read with Regulation 55(2) and 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) is please to allow a new class of Collective Investment Scheme to be categorized as a “Fixed Rate/Return Scheme” subject to following minimum requirements:

Fixed Rate/Return Scheme

1. Investment avenue-government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD). certificate of musharakas (COM) and TDRs.
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. Weighted average time to maturity of the 90% net assets of such scheme shall not exceed 4 years and this condition shall not apply to securities issued by Federal Government;
4. 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
5. 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;

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

6. An AMC may launch Fixed Rate/Return Plan with different investment avenues and different maturity dales under such scheme and the number of such plans at any point in time shall not increase ten (to).
7. An AMC shall publish separate Fund Manager Report for each Fixed Rate/Return Plan.
8. Clause no. 7 of the Circular No. 16 of 2014 dated July 03, 2014 shall not be applicable on this scheme.
9. Regulation 38(2)(r)(iv) 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.”

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*it should be schemes

Eligibility Requirement to Register as Trustee of Open-end or Closed-end Scheme:-

Following is the text of SECP's Circular No. 04 of 2022 dated February 23, 2022:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 read with 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 Regulations”) hereby specifies the following eligibility requirements to register as trustee of Open-End Schemes or Closed-End Schemes,-

- (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 not 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.
- (vii) The company shall comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

This Circular shall supersede Circular No. 3 of 2020 dated February 20, 2020.”

Inclusion of Housing Finance Companies (HFCs) in Government Markup Subsidy Scheme (GMSS) for Housing Finance:- Following is the text of SECP's Circular No. 05 of 2022 dated March 15, 2022:-

“In pursuance of the approval by the Economic Coordination Committee (ECC) and ratification by the Federal Cabinet on January 11, 2022, the State Bank of Pakistan (SBP) vide its letter No. IH&SMEFD.IHFD/MPMG/2022-02611 dated March 08, 2022 addressed to the Securities and Exchange Commission of Pakistan (the "Commission") informed that it has included the Housing Finance Companies (HFCs) duly licensed by the Commission as Executing Agencies (EAs) under the Government Markup Subsidy Scheme (GMSS) for Housing Finance.

In view of the above, the Commission, in exercise of powers conferred under sub-section (3) of section 28213 of the Companies Ordinance, 1984 (XLVII of 1984) read with regulations 28(e) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 is pleased to convey that HFCs duly licensed by the Commission are included as EAs under the GMSS for Housing Finance subject to the eligibility criteria, assessment of financial soundness of HFCs, regulatory monitoring requirements and markup subsidy payment mechanism as may be prescribed by the Commission.”

Requirements for Assessing Suitability and Risk Categorization of Collective Investment Scheme (CIS):- Following is the text of SECP's Circular No. 06 of 2022 dated June 09, 2022:-

“The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with regulation 66A(d) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby makes the following amendments in Circular No. 2 of 2020 dated February 6, 2020 in supersession of Circular No. 32 of 2020 dated October 22, 2020:

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	Very Low	Principal at very low risk
Money Market Funds with investment in corporate commercial papers, Capital Protected Funds (non-equity), Income Funds with deposits/placement in A or above risk 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 sukuk 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 Tracker Funds and Sector Specific Equity Related Funds.	High	Principal at high risk]

All AMCs shall ensure compliance with above requirements within 60 days of issuance of this Circular. All other requirements stipulated under Circular No.2 of 2020 dated February 6, 2020 shall remain unchanged. All other investments allowed in various categories under Circular No. 7 of 2009 will remain the same.”

Sales Load being charged by Collective Investment Schemes (CIS).- Following is the text of SECP’s Circular No. 10 of 2022 dated October 04, 2022:-

“The Securities and Exchange Commission of Pakistan (“the SECP”) in exercise of the powers conferred under section 282B (3) of the Companies Ordinance, 1984 read with the Regulation 54 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, and in supersession of earlier SECP Circular No. 26 of 2015 dated July 27, 2015 and SECP Circular No.27 of 2017 dated November 08, 2017, hereby directs all Asset Management Companies (AMCs) to ensure that:

1. 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.

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 unit holder;
 - 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 unit holder; and
 - c) Issue to the unit holder, within 48 hours of the realization of funds, breakup of the total amount received from the unit holder, 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: <i>(Investment Amount Received-Amount of Front End Load)</i>
Back End Load (to be charged)	(% of NAV per unit to be charged at the time of issuance or redemption (please specify))

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.
4. For the purpose of this Circular, sales 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.
5. This circular shall come into force with immediate effect. Any non-compliance will be dealt in accordance with prevalent regulatory framework.”

Categorization of Open-End Collective Investment Schemes (CIS).- Following is the text of SECP’s Circular No. 11 of 2022 dated October 13, 2022:-

“In order to enhance the scope of investment avenues of open-end collective investment schemes, the Securities and Exchange Commission of Pakistan (SECP) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with Regulation 55(2) and Regulation 66A(d) of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 hereby specifies the following amendments;

(1) In Circular No.7 of 2009 dated March 06, 2009 as amended through Circular No.31 of 2020 dated October 22, 2020:-

- i. In para 8, under the heading “Money Market Scheme” in clause (i), after the word “commercial papers” the words “and/or short term Sukuk” shall be added;

(2) In Circular No.2 of 2020 dated February 06, 2020 as amended through Circular NO.6 of 2022 dated June 09, 2022:-

- i. In table, after heading row, in 1st and 2nd row to the table, after the word “commercial papers” the words “and/or short term Sukuk” shall be added;

(3) AMCs shall ensure that cumulative exposure in commercial papers and/or short term Sukuk of their money market schemes shall not exceed beyond the prescribed exposure limit of 20% of the net assets.

(4) 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 from the date of this Circular unless their investments are held till maturity.”

Requirements for NBFCs relating to Digital Lending.- Following is the text of SECP’s Circular No. 03 of 2023 dated March 10, 2023:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) has noted a recent trend whereby a number of un-authorized Apps/online platforms have been engaged in digital lending posing themselves as Non-Banking Finance Companies (NBFCs). Furthermore, such un-authorized Apps/online platform providers are also approaching different licensed NBFCs for collaboration to offer their unauthorized and unapproved apps/platforms for digital lending purposes.

2. The Commission has serious concerns on the use of licensed NBFCs by such unauthorized/unlicensed platforms and apps. The Commission, therefore, in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), hereby directs all NBFCs to abstain from engaging in any kind of app integration, app sub-letting, license sub-letting, payment services, credit scoring & credit worthiness check, and/or any other type of integration services or collaboration with any digital lending App that is not approved by the SECP in terms of Circular 15 of 2022 dated December 27, 2022. NBFCs are also required to take necessary measures to create awareness among their customers about inherent risks and illegality of such unauthorized lending Apps.

3. This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section 282J of the Companies Ordinance, 1984.

Appointment of Auditors for SECP Regulated Entities.- Following is the text of SECP’s Circular No. 04 of 2023 dated April 03, 2023:-

“In supersession of Circular No. 21 of 2021 dated July 06, 2021; Circular No. 04 of 2014 dated January 31, 2014; Circular No. 28 of 2009 dated September 4, 2009 and in partial modification of S.R.O.2310(I)/2022 dated December 28, 2022, the Securities and Exchange Commission of Pakistan, in exercise of the powers under section 20(4)(jb) of the Securities and Exchange Commission of Pakistan Act, 1997, read with section 2(iii) of the Securities Act, 2015; section 2(3) of the Futures Market Act, 2016; section 15 and 41B of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 read with rule 19 of the Modaraba Companies and Modaraba Rules, 1981; section 17 of the Corporate Restructuring Companies Act, 2016; sub-section (1)(a) of section 48 of the Insurance Ordinance 2000; section 282B of the Companies Ordinance, 1984; rule 7(1)(ba) of the NBFC Rules, 2003; and regulation 38(2)(h) of the Non-Banking

Finance Companies and Notified Entities Regulations 2008 has decided to maintain and notify a list of auditors for audit of SECP Regulated Entities. Accordingly, the list of approved auditors is attached herewith as Annexure I, which shall be applicable on appointment of auditors for the financial years starting from or after July 01, 2023;

Any audit firm, having satisfactory rating from the Institute of Chartered Accountants of Pakistan (ICAP) under its Quality Control Review (QCR) program, may apply to the Commission for assessment and placement on the list of approved auditors, by submitting duly filled Form-A, available on SECP website.

Further, any update or change of information may be submitted by the audit firm through updated Form-A in the prescribed manner. In light of updated/ revised information submitted by the firm, the revised list shall be notified, if required, by the Commission. In case, any audit firm becomes ineligible to be part of the group of approved auditors for specified entities, subject ineligibility shall be applicable for future appointment of audit firm.

Following SECP Regulated Entities shall appoint their auditors as specified in Annexure I,-

a) Securities Brokers;
b) Futures Brokers;
c) Non-Banking Financial Companies (NBFCs);
d) Insurance/ Reinsurance Companies;
e) Takaful Operators;
f) Insurance/ Reinsurance Brokers;
g) Third Party Administrators;
h) Securities and Futures Advisor;
i) Securities Exchanges;
j) Clearing Houses;
k) Depository Companies;
l) Futures Exchanges
m) Modarabas
n) Collective Investment Schemes
o) Voluntary Pension Schemes
p) Professional Clearing Member
q) REIT Schemes
r) Credit Rating Companies
s) Collateral Management Companies
t) Corporate Restructuring Companies (CRCs) and trusts created by CRCs
u) Share Registrars and Balloters

ANNEXURE I
LIST OF APPROVED AUDITORS FOR SECP REGULATED ENTITIES
[see Circular No. 04 of 2023]

1. Audit firms given under this clause are eligible to conduct audit of all the SECP regulated entities specified in the circular. Further, Securities Exchanges, Futures Exchanges, Clearing Houses and Depository Companies; Securities Brokers with Trading and Clearing Category license; Asset Management Companies or Pension Fund Managers or NBFCs with Assets under Management (AuM) of equal to or more than Rs. 50 billion and lending NBFCs (deposit-taking); Modarabas having asset size equal to or more than Rs. 1 billion; Collective Investment Schemes or Voluntary Pension Schemes or REIT schemes having asset size of equal to or more than Rs. 10 billion; Insurance, Reinsurance or Takaful Operators having total assets of more than Rs. 10 billion; Collateral Management Companies; Credit Rating Companies and Professional Clearing Member, shall only appoint auditors from the following list under this clause:

1. A. F. Ferguson & Co.
2. Baker Tilly Mehmood Idrees Qamar
3. BOO Ebrahim & Co.
4. Crowe Hussain Chaudhury & Co.
5. EY Ford Rhodes.
6. Grant Thornton Anjum Rahman
7. KPMG Taseer Hadi & Co.
8. Kreston Hyder Bhimji & Co.
9. Muniff Ziauddin & Co.
10. Nasir Javaid Maqsood Imran
11. Rahman Sarfaraz Rahim Iqbal Rafiq
12. Reanda Haroon Zakaria & Co.
13. Riaz Ahmad & Co
14. RSM Avais Hyder Liaquat Nauman
15. Yousuf Adil
16. UHY Hassan Naseem & Co.

- ii. Securities Brokers having license of Trading and Self Clearing category; Asset Management Companies or Pension Fund Managers or NBFCs with AuM of less than Rs. 50 billion; non-deposit taking NBFCs undertaking lending activities through mobile applications; Modarabas having asset size of less than Rs. 1 billion; Collective Investment Schemes or Voluntary Pension Schemes or REIT Schemes having asset size of less than Rs. 10 billion; Insurance, Reinsurance or Takaful Operators having total assets of Rs 10 billion or less, shall appoint audit firm from the following list under this clause or from the list provided under clause (i) above:

1. Amin Mudassar & Co.
2. Fazal Mahmood & Co
3. Ilyas Saeed & Co.
4. Mushtaq & Co.
5. Naveed Zafar Ashfaq Jaffery & Co.
6. Parker Russell-A. J. S
7. PKF F.R.A.N.T.S.
8. Riaz Ahmad Saqib Gohar & Co.
9. Rizwan & Co.
10. ShineWing Hameed Chaudhri & Co.
II. Tariq Abdul Ghan i Maqbool & Co

III. Securities brokers having license under Trading-Only category; Futures Brokers of PMEX, Securities and Futures Advisers; Modarabas having asset size of less than Rs. 200 million; Lending NBFCs (other than deposit-taking); Insurance brokers, Reinsurance brokers; Third Party Administrators; Corporate Restructuring Companies, trusts created by Corporate Restructuring Companies and Share Registrars and Balloters, shall appoint any audit firm having Satisfactory QCR Rating from ICAP.

IV. In case, if any entity mentioned under clause i, ii and iii. is a Public Interest Company as per the Third Schedule of the Companies Act, 2017, the audit firm to carry out audit of such Public Interest Company shall also be required to be registered from Audit Oversight Board under section 36K(a) of the Securities and Exchange Commission of Pakistan Act, 1997.”

Centralized Digital Onboarding Mechanism for all Asset Classes.- Following is the text of SECP’s Circular No. 06 of 2023 dated April 19, 2023:-

“The Securities and Exchange Commission of Pakistan (SECP) in exercise of its powers conferred under Section 40B of the 'Securities and Exchange Commission of Pakistan Act, 1997 (SECP Act) and section 282B of the Companies Ordinance, 1984 is pleased to issue this circular applicable on specified SECP regulated entities i.e. Securities Brokers, Futures Brokers, Asset Management Companies & Insurance Companies and their distribution agents, Securities & Futures Advisors and Investment Advisors (collectively referred as specified regulated intermediaries), for digital onboarding of their customers.

In order to facilitate a uniform process for onboarding of customers, SECP, hereby allows Central Depository Company of Pakistan Limited (CDC) to provide a Centralized Gateway Portal (CGP) for onboarding of 'individual' resident customers by the specified regulated intermediaries. CDC, Pakistan Stock Exchange limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL) shall issue joint Procedures which shall be followed by all specified regulated intermediaries.

The specified regulated intermediaries shall establish their connectivity with CGP and integrate their online account opening portals.

The specified regulated intermediaries shall share, and regularly update, the information and documents of individual resident customers with CGP in accordance with joint procedures, subject to the prior consent of respective customer, irrespective of whether the account has been opened through CGP or through other means.

The CGP may share / update customer's information and documents with other market intermediaries, in accordance with joint procedures and subject to the consent of customer.

SECP hereby specifies the following simplified and standardized information and documents for onboarding Pakistani Resident Individual Customers of specified regulated intermediaries through CGP or through other means.

Following are standardized customer information fields for Normal/ Sahulat Account /Insurance Products:

(PART-A)

(Standardized Customer Information Fields - Normal Account & Sahulat / Asaan Account /Insurance Products)

S. No.	Specific Information	Normal Account	Sahulat / Asaan Account	Mandatory/ Optional
1.	Full Name as per CNIC / SNIC, etc.	Yes	Yes	Mandatory
2.	Father/ Spouse Name	Yes	Yes	-do-
3.	CNIC/ SNIC Identification Number	Yes	Yes	-do-
4.	Date of issuance and expiry	Yes	Yes	-do-
5.	Date of Birth	Yes	Yes	-do-
6.	Mother's Maiden Name	Yes	Yes	-do-
7.	Place of birth*	Yes	No	-do-
8.	Gender	Yes	Yes	-do-
9.	**Mobile Number registered in his/ her name	Yes	Yes	-do-
10.	Landline Office/ Residential	Yes	No	Optional
11.	**Email Address*	Yes	Yes	Mandatory for online
12.	Current mailing address - City, Province & Country	Yes	Yes	Mandatory
13.	Profession / Occupation / Source of Earnings/ Income	Yes	Yes	-do-
14.	Details of Contact person* (If different from details of the Customer)	Yes	Yes	-do-
15.	Permanent address - City, Province and Country*	Yes	No	-do-
16.	Bank/ E-Wallet/IBAN Number	Yes	Yes	-do-
17.	Details of nominee/ next of kin	Yes	Yes	-do-

18.	Marital Status*	Yes	No	-do-
19.	Zakat Status*	Yes	Yes	Optional
20.	Basis of Remittance*	Yes	No	Mandatory
21.	Name of Employer/ Business along with details*	Yes	Yes	-do-
22.	Gross income (annual)	Yes	Yes	-do-
23.	Beneficial ownership of funds/controlling rights (if applicable), source of funds and other information uploaded/ provided digitally during the opening of account (Details provided, if different from the main applicant)*	Yes	No	-do-
24.	*Point 7, 11, 14,15, 19,20,21 & 23 shall not be applicable in the case of Life insurance products which does not include any Investment component (i.e. term insurance), Health Insurance products, Non-life Insurance products and micro Insurance products; **Point 9 and 11 shall be optional in the case of onboarding of customer of insurance products mentioned above by opening conventional account;			

(PART-B)

(Standardized Documents for Account Opening for all asset classes)

1.	Copy of identification document i.e. CNIC, SNIC, etc.*
2.	Proof of business/work and source of income/funds of the customer, etc.*
3.	Zakat Declaration In case of Non-Muslim / non-deduction of Zakat, relevant Declaration on prescribed format or an affidavit is required
4.	Signature (wet/ electronic/ digital)

*Not required on case of Sahulat / Asaan Account /Insurance Products

(PART-C)

(Sector Specific Customer Information and Documentation Fields)

S. No.	Specific Information	Brokers	AMCs	Insurance
1.	Authority to operate account	Optional	Optional	NA
2.	Authorization (In case title of mobile number does not match)	Optional	Optional	NA
3.	Authorization to receive account statement through email	NA	Optional	NA
4.	Details of payer if different from the life insured	NA	NA	Optional

Specified regulated intermediaries shall ensure compliance with all provisions of AML Act, 2010 and rules, regulations and directives etc., Issued thereunder including SECP (AML/CFT) Regulations, 2020 from time to time.

In order to improve efficiency in opening of account of resident individual customers; all specified regulated intermediaries shall review the application and respond back within a maximum turnaround time (TAT) of three (03) working days to either accept the application or to reject or convey discrepancy in the application form/information/documents.

The Circular No. 26 of 2021 dated October, 7, 2021 issued under section 282B of the Companies Ordinance, 1984, shall stand modified in case of individual resident customers for opening online/digital accounts either directly with AMCs or through any digital distribution platforms.

The requirements stipulated in Circular No. 32 of 2021 shall remain the same. The specified regulated intermediaries shall align their account opening forms and integrate/ establish connectivity of their online account opening portals with CGP in compliance with the requirements of this circular within three months or such extended time as may be specified by the SECP.

Licensing and Allied applications with Sponsors/ Directors as Foreign Individuals/Entities.- Following is the text of SECP's Circular No. 12 of 2023 dated August 31, 2023:-

“In exercise of powers conferred by Section 282B(3) of Part VIIIA of the Companies Ordinance, 1984 (XLVII of 1984), (the Ordinance), the Securities and Exchange Commission of Pakistan (“the Commission”) in order to effectively discharge the licensing of Non-Banking Finance Companies (NBFCs), is hereby pleased to direct that;

- (a) an application made under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (“the Rules”), shall clearly specify the particular category of licensing activity of Investment Finance Service, which the applicant intends to perform, amongst the following:
 - (i) *Investment Finance Company;*
 - (ii) *Discounting Services;*
 - (iii) *Housing Finance Services;*
 - (iv) *Leasing Services;*
 - (v) *Microfinance Services;*
 1. *Conventional Nona Lending*
 2. *Digital Nano Lending*
 3. *Buy Now Pay Later – BNPL*
 4. *Advance against salary. B2C*
 5. *Advance to SME/MSME*
 6. *Other ____ please specify*

The NBFC shall obtain prior permission in case of any change subsequent to grant of license in the type of business activity stated in the application.

- ¹[(b) As of the date of this Circular, all applications for license or any subsequent changes in the composition of the board/ shareholders of the companies with above stated activities, wherein sponsors/ director/ shareholder are foreign nationals/ foreign entities, shall only be granted/ allowed upon receipt of requisite prior security clearance from Ministry of Interior, Government of Pakistan.]

2. This Circular shall come into force with immediate effect.

¹Substituted by SECP's Circular No. 10 of 2026 dated June 02, 2026.

Licensing and Allied applications with Sponsors/ Directors as Foreign Individuals/Entities.- Following is the text of SECP's Circular No. 13 of 2023 dated August 31, 2023:-

“In exercise of powers conferred by section 40B read with clause (d) of sub-section (4) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1999* (XLII of 1997), the Securities and Exchange Commission of Pakistan (“the Commission”) is hereby pleased to direct that license of regulated activities under the Securities Act, 2015 (III of 2015) and the Futures Market Act, 2016 (XIV of 2016), wherein sponsors/ directors/ shareholders are foreign nationals/ foreign entities and any subsequent change in sponsors/ directors/ shareholders shall only be granted/ allowed upon receipt of requisite prior security clearance from Ministry of Interior, Government of Pakistan.

This Circular shall come into force with immediate effect”

*It should be 1997

Adoption of revised timelines for approval of IPO application and listing of Securities.- Following is the text of SECP's Circular No. 16 of 2023 dated November 08, 2023:-

“To simplify and streamline the Initial Public Offering (IPO) and listing process, the Securities and Exchange Commission of Pakistan (SECP) has reduced the overall IPO timelines in consultations with market participants and the securities exchange. The revised timelines will optimize the capital formation function of the securities exchange by enabling potential issuers to fulfil their capital raising needs in an efficient and timely manner.

For this purpose, the SECP in exercise of the powers conferred under section 172 of the Securities Act, 2015 hereby notifies the revised timelines attached as Annexure-A for immediate adoption by all stakeholders, including the Pakistan Stock Exchange Limited, Consultants to the Issue (CTI). Issuers, Book Runners and other market participants.

All stakeholders are advised to strictly adhere to the revised timelines in true letter and spirit.”

(Annexure not reproduced here due to sake of brevity)

Categorization of Open-End Collective Investment Schemes (CIS).- Following is the text of SECP's Direction No. 17 of 2023 dated December 06, 2023:-

“In order to enhance and promote the capital markets and ensure wider participation of mutual funds in one year Government Debt Securities (Sukuks/Government Securities) to be raised and traded through Pakistan Stock Exchange, the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of its powers conferred under section 282B(3) of the Companies Ordinance 1984 read with Regulation 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”), hereby, allows the Money Market Schemes to invest in Government Debt Securities, with a maturity exceeding six months and up to one year, for a period of 12 months from the date of this direction unless extended subject to the following conditions:

1. requirement for weighted average time to maturity of the net assets including government securities shall remain as “not exceed 90 days”;
2. the respective monthly fund manager report shall include the disclosure of the actual exposure in above referred Government Debt Securities with a maturity exceeding six months and up to one year, calculated as a percentage of Net Assets; and

All the other conditions applicable to money market schemes including the risk profile through the prevalent Regulations, Circulars and Directions shall remain intact.

Note: Respective Money Market Schemes shall incorporate enabling provisions/distinctive disclosure in the relevant offering documents as required pursuant to Regulation 44(9) of the Regulations.”

Guidelines for NBFCs engaged in Digital Lending.- Following is the text of SECP's Circular No. 08 of 2024 dated March 12, 2024:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulation 28(da) of the NBFC Regulations, 2008 issues the following guidelines for the Non-Banking Finance Companies engaged in Lending.

1. Guidelines for Advertisement (Annexure A)

The guidelines intend to promote adoption of responsible and ethical practices by digital lenders while marketing their digital lending products.

These guidelines are applicable to advertisements, promotion or marketing activities undertaken in whatever form and manner through any means. These activities shall include, but are not limited to, material disseminated, broadcasted, shared or published using any social media, electronic/print media, calls/emails, In-app promotions, and partner-based marketing through third parties (e.g. influencers, content creators).

NBFCs must ensure that all advertisements for digital lending products complies with these guidelines. Digital lending products include, but are not limited, to payday loans, personal loans, peer-to-peer loans, and other forms of online lending.

2. Guidelines for Call Centre Management (Annexure B)

The aim of these guidelines is to emphasize professionalism and uphold the rights of borrowers when they are contacted via call centers.

Call centers serve as the human interface for digital lending NBFCs, playing a crucial role in assisting customers with services, handling queries, and gathering feedback. Their significance is heightened in the recovery and collection processes of digital lending NBFCs. Many complaints against these NBFCs stem from call center interactions, underscoring the imperative need for a code of conduct in this domain.

(Annexure A & B not reproduced here due to sake of brevity)

Requirements for NBFCs engaged in Digital Lending.- Following is the text of SECP's Circular No. 12 of 2024 dated May 15, 2024:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulation 28(da) of the NBFC Regulations, 2008, in supersession of its earlier Circular 15 of 2022 dated December 27, 2022, Circular 10 of 2023 dated August 7, 2023 and Circular 15 of 2023 dated September 25, 2023, is hereby pleased to issue this circular imposing the following requirements on Non-Banking Finance Companies (NBFCs) engaged in digital lending to ensure fair treatment, full disclosure and protection of personal information of the borrowers. The Circular encompasses the following aspects:

1. Disclosures through App interface, limits, conditions & mandatory requirements
2. Limits, conditions and disclosures applicable to each category
3. Pricing Policy, Credit Risk and Advertisements/Publications
4. Grievance Redressal Mechanism
5. Loan Collection
6. Requirements for Digital Lending Apps
7. Confidentiality
8. Mobile Application Security
9. Glossary of Terms

1. Disclosures through App interface, limits, conditions & mandatory requirements:-

- (a) Any digital App user should be given the general information about the App, including any access to user data or information that the App may gather after installation during App registration process;
- (b) Before entering into any agreement for financing, the Digital Lender shall give full disclosure to the prospective borrower on all the terms of the agreement, including but not limited to the following:
 - (i) privacy policy - the privacy policy shall be duly vetted by a law firm specialized in the field of Banking and Finance;

- (ii) mark-up rate- rate of mark-up that will be charged on the loan whether it is on fixed, variable or combination of fixed and variable rates;
- (iii) financing details- amount and term of loan along with number of installments and the amount to be paid for each installment;
- (iv) Early Settlement - Early Settlement may be allowed;
- (v) fees and charges- applicable fees and charges by whichever name called, and their nature, including implied charges/penalties; and
- (vi) contact details- details of grievance redressal system;
- (c) Before proceeding for loan disbursement, a Digital Lender shall display a summary of key fact statement to the borrower through a video/audio, screen shot and email/SMS in English and Urdu languages. The key fact statement shall be presented in a simple, clear and easily accessible format and shall include the minimum information specific to each category as applicable as provided in Annexure - A;
- (d) Any fees, charges, etc., which are not mentioned in the key fact statement (Annexure - A) cannot be charged to the borrower at any stage during the term of the loan;
- (e) A Digital Lender shall also provide comprehensive disclosures to the borrowers on collection of data, its safe storage, sharing and usage and in this regard shall also obtain explicit consent of the borrower. Furthermore, a digital lender shall not acquire any information that is personal in nature and is not directly related to the credit score calculations;
- (f) Any fee, charges etc. payable with respect to the credit intermediation process shall be paid directly by Digital Lender and not by the borrower;
- (g) No upfront deductions (first instalment, charges, fee etc.) shall be made from the loan disbursement amount and the loan amount disbursed shall be equal to the loan amount approved;
- (h) In case of Buy Now Pay Later (BNPL) or product financing arrangements, financing amount may be recovered as a down payment or first installment, through Cash on Delivery (COD), debit and credit card transactions, or designated bank account transfers. Furthermore, if a loan application is rejected or if the product delivery fails, the amount received shall be refunded to the borrower within a period not exceeding two working days;
- (i) The loan disbursement shall be subject to acceptance of all the underlying terms and conditions by the borrowers. The Digital Lender shall provide a choice to the borrower to accept or decline the offer through conspicuously provided click on the button options;
- (j) Digital Lender shall ensure that digitally signed documents i.e. summary of loan product, sanction letter, terms and conditions and account statements with respect to financing details, etc. shall automatically flow to the borrowers on their registered and verified email! SMS upon execution of the loan contract/ transactions;

- (k) The terms and conditions along with Annual Percentage Rate (APR) as agreed between Digital Lender and borrower at time of grant of loan shall not be subsequently changed;
- (l) A Digital Lender shall allow the Cooling Off period on every loan and clearly communicate and explain it to the borrowers. The Digital Lenders shall however, be eligible to collect National Database and Registration Authority Verisys cost, fund transfer cost (if incurred) and CI B costs from such borrowers who avail the cooling off facility:

Provided that in case of BNPU/Product financing the cooling off period will be applicable until the product is shipped to the borrower and cooling off period will not be required in case of other licensed categories, as applicable;

- (m) A Digital Lender shall give borrower a digital receipt for every repayment made on account of any loan at the time of such repayment; and
- (n) All transactions including disbursement and recovery shall be carried out only through the bank accounts/branchless banking accounts of the digital lender and disbursement shall be ensured to be made in the bank account/branchless banking account of the borrower (IBAN/E-Wallet Mobile Account Number after title verification through 1-link title fetch service or IBAN/E-Wallet mobile account number and CNIC Pairing).

2. Limits, conditions and specific disclosures applicable to each category:

(a) Digital Nano Lending:-

- (i) A NBFC can extend a maximum amount of Rs 50,000/- as nano lending to a borrower, with a tenor of up to 90 days;
- (ii) Compounding of markup shall not be allowed (no markup shall accrue either on original markup or on late payment charges);
- (iii) Aggregate amount of nano-lending extended to a borrower by all NBFCs shall not exceed Rs.100,000 at any point in time;
- (iv) An NBFC can rollover/restructure a loan in such a way that period of the loan including the original and rollover tenor shall not exceed 90 Days;
- (v) An NBFC shall consider rollover/restructuring as extension of existing loan and shall not treat it as new loan;
- (vi) An NBFC shall apply the same APR and terms to loan rollover/ restructuring as applied to the existing loan;
- (vii) Digital Lender shall not charge Profit Rate (PR) exceeding 0.75% per day, with an APR not to exceed 274%;
- (viii) An NBFC shall not recover from a borrower, on account of all costs of the loan including the nominal interest/markup/profit rate and all other applicable fees (i.e processing fees, services fees, notarial fees, handling fees and verification fees, among others) as well as penalties for late payment and non-payment, an aggregate amount exceeding the principal of the loan;

- (ix) A Digital Lender, for accurate computation of PR and APR shall ensure that,-
 - (I) Entire principal amount of the loan shall be disbursed by the lender on the issue date of the loan and shall be payable by the borrower either in lump sum on maturity date of the loan, or in equal intervals during the loan period, or on the extended maturity date in case of rollover of a loan; and
 - (II) Entire profit amount shall be payable by the borrower either in lump sum on maturity date of the loan, or in equal intervals during the loan period;
- (x) A prompt/alert in English and Urdu shall appear with the following minimum contents should appear, whenever a user opens the nano-lending App and/or website,

Urdu matter

“Digital Nona loans are short-term loans with high-interest rates and additional charges. It is essential to that you understand potential risk of over-indebtedness. Borrow responsibly and only take loans that you can comfortably repay within the agreed timeframe to avoid financial difficulties. Always read the terms and conditions carefully before availing any loan. Your financial well-being is our priority.”.

- (xi) A calculator shall be provided on the App/website homepage where a user can evaluate impact of costs including processing fee, platform fee, PR, late payment charges and all other applicable charges for different borrowing options; and
- (xii) Any change/ updates in the whitelisted App shall be made only with prior intimation to the Commission. Intimation will be considered acknowledged if no observation/query has been shared by the Commission within 5 working days.

(b) Earned Wage Access:-

Digital Lender acting as Employer-Integrated Earned Wage Access Provider shall not;

- (i) Share fees received from a person with the person's employer;
- (ii) Use a person's credit report or credit score to determine the person's eligibility for the EWA services;
- (iii) Charge any late fee or other penalty for a person's failure to pay;
- (iv) Report a person's failure to pay to a credit bureau; and

- (v) Compel the person to pay through civil action, a debt collector, or selling or assigning outstanding amounts to a debt collector or debt buyer.

(c) Embedded Lending:-

- (i) NBFCs are permitted to extend their lending, services by integrating Application Programming Interface (API) with digital lending apps/ platforms/ tools that have been duly whitelisted by the Commission; and
- (ii) NBFCs can extend their lending services through API integration with other digital platforms as per requirements specified by the Commission.

3. Pricing Policy, Credit Risk and Advertisements /Publications:-

- (a) A Digital Lender shall develop and implement appropriate pricing policies approved by its board of directors that ensure access to affordable financial services along with operational and financial sustainability of the NBFC;
- (b) In order to prevent borrower's over-indebtedness and manage credit risk, the Digital Lenders shall develop an internal mechanism to monitor the overall exposure of its borrowers by,-
 - (i) requiring additional information /undertaking from borrowers regarding their current borrowing from all lenders;
 - (ii) obtaining membership of Credit Information Bureaus licensed by State Bank of Pakistan (CIBs) and obtain a credit report and use CIB data a part of the loan decision process for every loan application including renewal & roll overs except in the case of Earned Wage Access; and
 - (iii) ensure regular/continuous reporting to all the credit bureaus operating in Pakistan on real time basis.
- (c) A Digital Lender shall make available on its website and App. updated information regarding its lending products including complete terms and conditions. Any advertisement and publication, whether in textual, digital, audio or visual form, in relation to the digital lending business of a Digital Lender, directly or through any other person, shall,-
 - (i) be fair and reasonable and not contain misleading information;
 - (ii) not use official logo of the Commission or any other government agency;
 - (iii) contain full disclosure regarding loans on offer and applicable APR; and
 - (iv) contain the Digital Lender's full corporate name and licensing status (including license no.) on its App, documentation, advertisements materials, and
 - (v) ensure to include its App name, web address, telephone hotline for handling complaints and a risk warning statement, prominently and easily legible in the written or visual part of the advertisement.

4. Grievance Redressal Mechanism.- All the requirements of Commission's Circular No. 24 of 2018 dated December 27, 2018 relating to Guidelines on Grievance Redressal System in Non-Bank Microfinance Companies shall be applicable to Digital Lenders. In addition, digital lenders shall 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.

5. Loan Collection,-

- (a) In case, the digital lender outsources its loan collection function to third-party service providers (agents), it shall also maintain complete record of employees/personnel engaged in recovery of loans;
- (b) A Digital Lender, its employees or agents while refraining from unscrupulous and untoward acts; shall only resort to reasonable and legally permissible means for collection of amounts due from the borrowers under the loan agreements;
- (c) Without limiting the general application of the foregoing requirement, a Digital Lender, shall not, engage in any of the following unfair collection practices.-
 - (i) contacting at unreasonable or inconvenient times i.e. before 7 a.m. or after 10:00 p.m.;
 - (ii) notwithstanding the borrower's consent, accessing the borrower's SMS or call log or phone book or contacts list or photo gallery and contacting the persons in the borrower's contact list, other than those who have been specifically authorized by the borrower as guarantors and who have also provided their consent to the digital lender at the time of loan approval:

Provided that Digital Lender engaged in licensing activity other than nano-lending may access phone gallery to the extent of obtaining requisite document relevant to its business model as applicable;

- (iii) post, share or publicize a borrower's personal or sensitive information online or on any other forum or medium, or threatening to do so, except to the extent of reporting to credit bureaus or other legal forums, as per authorization from the borrowers;
- (iv) use of or threat to use violence or other illegal means to harm the person, or his reputation or property;
- (v) use of obscene or profane language for the borrower or the borrower's references or contacts;

- (vi) improper or immoral debt collection tactics, methods or an act that is illegal; and
- (vii) any other conduct whose consequence is to harass, oppress, or abuse any person in connection with the collection of a debt,-
- (d) All calls and messages for loan collection should be made via company's designated phone numbers (to be made public through website & App) and all calls should be recorded. The call recordings and log of messages should be maintained for a period of at least one year; and
- (e) Digital lenders shall handle defaulters as per the law of Pakistan.

6. Requirements for Digital Lending Apps:-

- (a) Prior to launch of an App or any other digital channel for lending, the Digital Lender shall submit an application to the Commission for listing on SECP App Whitelist along with self-assessment declaration of compliance with regulatory framework;
- (b) A Digital Lender at the time of launching the App shall provide license status along with acknowledgement of white listing from the Commission of the App to Google Play Store and/or App Store. Proof for the same shall subsequently be provided to the Commission and maintained by Digital Lender as record. Only whitelisted App shall be listed on Google Play Store/App Store (Apple Inc.) and URL of that App shall be displayed on the App Whitelist to be maintained and published by the Commission on its Official website.
- (c) A digital lender shall operate only one App at a particular time;
- (d) In order to address the prospective risk of identity theft; the App shall require provision of a live selfie for photo verification or In-App biometric verification as part of their Know Your Customer (KYC) process;
- (e) The Commission may delist a digital lending App from App Whitelist if digital lender fails to comply with applicable regulatory requirements. Furthermore, digital lender shall not onboard new clients or disburse loans as a result of -delisting of the App with immediate effect. However, a digital lender shall be allowed to recover its outstanding loan through its app; and
- (f) Digital Lenders shall submit monthly report to the Commission gender disaggregated loan portfolio data as specified in the Annexure-B of the Circular by the 10th of every month.

7. Confidentiality.- Data collected by Digital Lenders through mobile Apps or any other means is subject to privacy of the borrower and shall be used only for loan processing or transactions related to the loan. A Digital Lender shall keep the data of the borrower strictly confidential, except in the following circumstances,-

- (a) Disclosure of information with the specific written or recorded consent of the borrower;
- (b) Release, submission or exchange of borrower information with other financial institutions, credit information bureaus and duly licensed lenders;

- (c) Disclosure of information upon orders of a court of competent jurisdiction or any government office or agency authorized by law;
- (d) Disclosure to collection agencies, counsels and other agents of the Digital Lenders to enforce the latter's rights against the borrower;
- (e) Disclosure to third party service providers solely for the purpose of assisting or rendering services to the Digital Lenders in the administration of its lending business; and
- (f) Disclosure to third parties such as insurance companies, solely for the purpose of insuring the Digital Lenders from borrower default or other credit loss, and the borrower from fraud or unauthorized charges.

8. Requirements for Mobile Application Security of Digital Lending App:-

- (a) Digital lender shall ensure that adequate cyber-security 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:

(i) Secure Access Management:-

- (I) Approved policies and procedures for secure access management should exist;
- (II) User account of employees who leave the organization should be disabled;
- (III) Ensure no privileged (admin) user IDs are in use without formal approval;
- (IV) Maintain inventory of privileged accounts and review frequency should be defined.
- (V) Ensure that access rights review document for application is in place.;
- (VI) Appropriate user creation, modification of rights, revocation of rights should be performed and approvals from line manager should be in place; and
- (VII) Validate that strong password policy is implemented which covers password complexity, minimum length, history and minimum age;

(ii) Perimeter and Network Security:-

- (I) Maintain high level network diagram of mobile application environment indicating the location of network devices, app and database servers and other components attached;
- (II) Implement security measures to protect against unauthorized access or attacks;
- (III) Validate that inbound security policies are enabled for in scope application environment;
- (IV) Verify from firewall that only trusted users are allowed to access the applications;

- (V) Logging and monitoring process on firewall put in place; and
- (VI) Validate the details of Encryption mechanism, TLS version, digital certificate on application portal;

(iii) Endpoint, Server and Cloud Security:-

- (I) Verify that versions and patches of all endpoints are updated and secured;
- (II) Ensure that software installation and upgradation rights on servers/instance is only limited to the Authorized person; and
- (III) Ensure that software installation on endpoints should be restricted and approved on a need-to-use basis;

(iv) Application Level Security:-

- (I) Make sure all the components required for the application such as web server and other components are updated and running on latest versions;
- (II) Implementation of Web Application Firewall (WAF) on customer facing interfaces should be ensured;
- (III) Maintain details of the latest VAPT conducted on mobile application portal/mobile app, system, and database;
- (IV) Conduct VAPT on the in-scope system, including the mobile application portal/mobile app, system, and database; and
- (V) Ensure that API are not using outdated SSL/TLS protocols.

(v) Data Security:-

- (I) Approved data security policy and procedure should be in place;
- (II) Ensure that the relevant documentation is maintained and reviewed;
- (III) Encrypt data at rest (including backups) and in transit using strong and non-obsolete cryptographic algorithms;
- (IV) Ensure appropriate measure have been taken to avoid accidental deletion or overwrite of data/information; and
- (V) Ensure that the separate channels are being used for storage and transmission of critical data.

(vi) Incident surveillance and monitoring:-

- (I) Ensure the policies and procedures are in place for Incident Management and Reporting;
- (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 is maintained for such incidents;
- (IV) Incident response functions shall be implemented in application system, responses to any incident should be documented for record; and

- (V) Ensure that the potential risks and vulnerabilities are identified in a timely manner, which could impact business continuity. Moreover, ensure reviewal and updating of the risk assessment.

(vii) Patch management:-

- (I) Validate that log of patches deployed are documented;
- (II) Validate that formal process of approval is in place for patch testing, User acceptance testing 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.

(viii) Logging and backups:-

- (I) Validate that policies and procedures are approved and implemented for Backup and recovery of in-scope application;
 - (II) Validate that logging is enabled at application, platform, database and operating system levels;
 - (III) Validate that log file can't be modified, even system administrator not have access to modify own logs and logs must be secured at directory levels; and
 - (IV) Frequency of backups should be defined in the system for both production and development and the same shall be documented in relevant policy.
- (b) Digital Lenders shall develop a policy governing mobile Apps' business objectives, standards, compliance, guidelines, controls, responsibilities and liabilities. As a principle, the policy shall achieve a balance between the security of Apps, convenience and performance. The policy shall at least be revisited annually and/or when a significant change is made in the environment;
- (c) Digital Lenders may develop mobile Apps in-house/ through outsourcing or by a combined approach. To manage mobile App development projects, Digital Lenders shall:-
- (i) Put in place necessary App documentation including manuals on development, testing, training, 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 (UAT) in an environment separate from the production environment; and

- (iv) Put in place an escrow arrangement in cases where third party vendors develop mobile Apps but the source codes are not released to the Digital Lender;
- (d) Data shall not be stored on any cloud infrastructure outside the jurisdiction of Pakistan;
- (e) Digital Lenders shall ensure compliance with the requirements relating to the mobile App, as provided in Annexure-C to this Circular;
- (f) Digital Lender from the date of white listing of the app shall carry out the following and submit the reports to Commission within one month;
 - (i) self-assessment on semi-annual basis in the format specified by the Commission;
 - (ii) third party vulnerability assessment, penetration testing and performance assessment of mobile Apps on annual basis from the date of whitelisting.
- (g) Digital lenders shall arrange at least once every three years from the date of whitelisting, IT audits of its IT infrastructure including the App by an independent audit service provider having qualified CISA / Certified ISO27001:2013 Lead Auditor certification to check compliance with regulatory requirements and shall submit the report to the Commission within the three months.
- (h) The Digital Lender shall ensure compliance of all applicable laws in force in Pakistan related to cyber security, personal data protection, cloud usage and data privacy; and
- (i) The Digital Lender shall solely be responsible for any digital fraud as a result of security lapse, operational issues, architecture of the App or any other malfunction of the App.

9. Glossary of Terms:-

- (a) "Digital Lender" means lending NBFCs engaged in digital lending through digital, technology-based or internet-based channels, Apps or tools, being administered, managed or owned by them;
- (b) "Annual Percentage Rate" or "APR" means effective annualized rate (%) (computed on net disbursed amount using IRR approach and reducing balance method) comprising all costs of the loan including the nominal interest/markup/profit rate and all other applicable fees (i.e. processing fees, service fees, notarial fees, handling fees and verification fees, among others), that represent a cost to the borrower by whichever name called. The APR does not include penalties for late payment and non-payment;
- (c) "CIB" means Credit Information Bureaus; and
- (d) "Cooling off Period" means a minimum period of 24 hours or such higher period as determined by Board of Directors, from the disbursement of loan during which the borrower has the right to withdraw from the loan agreement and repay the principal amount to the digital lender without any markup/interest;

- (e) "B2C Financing" means Business to Consumer Financing/Leasing for example digital nano lending, BNPL, EWA, education financing, product financing/leasing and advance against salary;
- (f) "B2B Financing" means Business to Business Financing, referring to the provision of financial services or products directly to businesses for example working capital finance, stock/inventory financing, invoice factoring, COD financing and product financing/leasing;
- (g) "Digital Nano Lending" means providing unsecured short-term cash loan up to Rs 50,000/ for a maximum tenor of 90 days through digital lending:

Provided that Digital Nano Lending does not include unsecured consumer, finance provided by Lending NBFCs for explicit purchase of any products/ goods or Earned Wage Access;

- (h) "BNPL" means a buy now pay later arrangement, or a series of arrangements, through online or hybrid mode,-
 - (A) under which a person (the merchant) supplies goods or services to another person (the retail client);
 - (B) under which a third person (the BNPL provider) directly or indirectly pays the merchant an amount that is for the supply mentioned in paragraph (a); and
 - (C) that includes a contract between the BNPL provider and the retail client under which the BNPL provider provides credit to the retail client in connection with the supply mentioned in paragraph (a);
- (i) "Earned wage access" means the payment of earned but unpaid salary/wage;
- (j) "Employer-integrated earned wage access provider" means a Digital Lender who provides earned wage access services to a person in collaboration with the person's employer;
- (k) "Loan Period/Tenor" The time period (in days) from issue date till maturity date of the loan;
- (l) "Principal" The amount disbursed by the lender to the borrower at the beginning of the loan period;
- (m) "Profit for the Loan Period" The amount including all costs, by whatever name called (markup, interest, profit, processing fee, service fee, handling fee etc.), payable by the borrower during the Loan Period;
- (n) "Loan rollover" the renewal or extension of an existing loan, where the borrower is provided with new terms and conditions for repayment without fully repaying the original loan, and 'restructured loan' refers to a modification of the terms and conditions of an existing loan that results in a change to the repayment schedule, fees or other terms.
- (o) "Profit Rate for the Loan Period - %": Expressed as percentage per annum and computed by simple annualization of the PR without considering the reinvestment or compounding of Profit over the next twelve (12) months;

$$APR(\%p.a.) = Profit Rate \times \frac{365}{Loan Period}$$

Illustration

Principal	10,000	10,000
Issue Date	1 Oct 2023	1 Oct 2023
Maturity Date	15 Oct 2023	15 Oct 2023
Loan Period	14 days	14 days
Markup	500	900
Fees	300	600
Profit	500 + 300 = 800	900 + 600 = 1,500
Profit Rate - % per day	0.57%*	1.07%*
APR- % p.a.	0.57% x 365 = 208.6%	1.07% x 365 = 390.5%
Ceiling for APR - % p.a.	274%	274%
Whether APR is within the APR Ceiling	Yes	No

This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section 282J of the Companies Ordinance, 1984 (XLVII of 1984)."

(Annexures not reproduced here)

Requirements for Self-Assessment Declaration to be submitted by NBFCs engaged in Digital Lending along with application for whitelisting of digital Lending App.-
Following is the text of SECP's Circular No. 14 of 2024 dated May 22, 2024:-

"The Securities and Exchange Commission of Pakistan (the ("Commission")) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with regulation 28(da) of the NBFC Regulations, 2008, and in furtherance to its earlier Circular No. 12 of 2024 dated May 15, 2024, is hereby pleased to specify the contents and format of the self-assessment declaration, to be signed by the Chief Executive Officer of the Digital Lender, as required in terms of clause 6(a) of the above referred circular dated May 15, 2024.

This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section 282J of the Companies Ordinance, 1984 (XLVII of 1984)."

(Annexures not reproduced here)

Categorization of Open-Ended Collective Investment Schemes.- Following is the text of SECP's Direction No. 22 of 2024 dated December 06, 2024:-

“This is further to Direction No. 17 of 2023 dated December 06, 2023 on Categorization of open-end Collective Investment Schemes (CIS).

The Securities and Exchange Commission of Pakistan (the “Commission”) in the exercise of powers conferred under Section 282B(3) of the Companies Ordinance 1984 read with Regulation 55(2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby extends the time period allowed to Money Market Schemes to invest in Government Debt Securities, to be raised and traded through Pakistan Stock Exchange, with a maturity exceeding six months and upto one year, for a further period of 12 months from the date of this notification, subject to the same conditions mentioned in earlier Direction No. 17 of 2023.”

Performance Benchmarks for Collective Investment Schemes.- Following is the text of SECP's Direction No. 24 of 2024 dated December 18, 2024:-

“In order to standardize the disclosures of performance and to bring coherence in the comparison of performance with respective benchmarks for Collective Investment Schemes (CIS), the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of its powers conferred under section 282 B (3) of the Companies Ordinance 1984 and in supersession of its earlier Direction No. 27 of 2016 dated August 25, 2016, hereby, directs Asset Management Companies (AMCs) to use the following performance benchmarks for CIS:

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)
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.

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

3. 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

4. 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

1. 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.
2. The AMCs shall disclose committed rate in the monthly Fund Manager Report of Fixed rate CIS and Shariah Compliant Fixed Term CIS.
3. 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.
4. 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

1. MUFAP shall monitor performance disclosures of the respective CIS and ensure effective compliance with the same.
2. MUF AP 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.
3. 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.
4. 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.
5. MUFAP shall publish all the category wise benchmarks on monthly basis and use monthly weighted average rates to bring consistency.
6. 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

1. The above-mentioned benchmarks shall be adopted by AMCs within 1 month from the issuance of this Direction.
2. 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."

Requirements for Investment Plans Offered under Collective Investment Schemes.-

Following is the text of SECP's Circular No. 25 of 2024 dated December 23, 2024:-

“The Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 44(8)(proviso) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) hereby specifies the following terms and conditions for the Asset Management Companies (AMCs) in order to offer Investment Plans under the Collective Investment Schemes (CIS) managed by them:

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:

- a. Fund of Funds Scheme;
- b. Fixed Rate/Return Scheme;
- c. Sovereign Income Scheme;
- d. Capital Protected Scheme;
- e. Asset Allocation Scheme; and
- f. Exchange Traded Funds:

¹[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 or merger with similar category of CIS/Plan shall be subject to prior approval of the Commission within one hundred and eighty (80) days from the date of issuance of this Circular or else the plan shall be revoked accordingly:]

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;

¹Proviso substituted by SECP's Circular No.11 of 2025 dated May 21, 2025. Before substitution it read as follows:-

“Provided that the active perpetual Investment Plans (Plan) in CIS categories, other than those as specified above, shall be merged with a similar category of CIS in terms of Regulation 58(1)(m) of the Regulations and Circular No. 20 of 2009 after seeking approval of the Commission within hundred and eighty (180) days of issuance of this Circular or else the plan shall be revoked accordingly;”

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.

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 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 I. 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.

¹[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.]

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

¹Proviso inserted by SECP's Circular No.11 of 2025 dated May 21, 2025.

- 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.

d. Benchmarks for Investment Plans: Prevailing specified 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.

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. 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 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.

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 MUFAP's website.

5. Expenses Chargeable to the Investment Plans:

¹[**a. Management Fee Caps (M-Fee Caps):** The M-Fee Caps for respective Investment Plans, as amended 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.]

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 be 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.

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

¹Clause 5(a) substituted by SECP's Circular No.11 of 2025 dated May 21, 2025. Before substitution it read as follows:-

“a. Total Expense Ratio (TER): The TER for respective Investment Plans, as mandated under the Regulations for each category of CIS, shall be applicable 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.”

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 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.

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.

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.

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."

Requirements related to conduct of Asset Management Companies representing Unit-holders of Collective Investment Scheme in Listed Companies' General Meetings.-
Following is the text of SECP's Direction No. 01 of 2025 dated January 01, 2025:-

"To promote transparency and to safeguard the proxy rights of the unitholders of Collective Investment Schemes (CIS), the Securities and Exchange Commission of Pakistan (the "Commission") in exercise of powers conferred in terms of Section 282D of the Companies Ordinance, 1984, and in addition to the requirements under Regulation 38A read with Schedule XXI of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby directs the Asset Management Companies (AMCs) to comply with the following additional requirements when acting on behalf of unitholder's 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."

Directive for uploading Audited Financial Statements on dedicated portal of Pakistan Stock Exchange for Public Information.- Following is the text of SECP's Direction 02 of 2025 dated January 23, 2025:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) is empowered under Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “Act”), to regulate the financial services market, including licensed activities. It is also responsible to promote, encourage, and enforce proper conduct, competence, and integrity in the capital market, including the disclosure of financial information in the public interest, with a key focus on investor protection.

2. The Commission has taken cognizance that licensed companies are engaged in activities with significant public interest considerations. It is therefore necessary to set higher standards of transparency, governance and disclosures for such companies through dissemination of audited financial statements to the general public. Such disclosures will also enable the general public and investors to better analyse the performance of the licensed companies.

3. The Commission, therefore, in exercise of its powers conferred under:

- (i) section 40B of the Securities and Exchange Commission of Pakistan Act, 1997;
- (ii) section 282D of the Companies Ordinance, 1984;
- (iii) section 41B of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980;
- (iv) section 17 of the Corporate Restructuring Companies Act, 2016, read with all enabling provisions of the Act and the administered legislation, hereby directs, that all unlisted licensed companies shall:

a. Within 30 days of this Direction:

- i. ensure signing of an agreement with Pakistan Stock Exchange Limited (PSX) and creation of USER ID for access to the Financial Portal for Unlisted Companies (FPUC) developed by PSX; and
- ii. upload the latest available annual audited financial statements on the FPUC for public dissemination.

b. Continue to upload future audited financial statements on the FPUC for public dissemination, as per the timelines specified for the unlisted licensed company to prepare and circulate its audited financial statements under its applicable law, till the time the company obtains listing.

4. This Directive shall come into force with immediate effect. Any non-compliance by the unlisted licensed company shall be treated as a violation and necessary action shall be taken under the relevant law.”

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Reporting Requirement for Non-Banking Microfinance Companies on ESG -Sustain Portal.- Following is the text of SECP's Circular No. 03 of 2025 dated January 30, 2025:-

“The Securities and Exchange Commission of Pakistan (SECP) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), hereby directs the Non-Banking Microfinance Finance Companies (NBMFCs) to report their Gender Disaggregated and Complaint Data through SECP’s ESG Sustain Portal.

The Gender Disaggregated Data is required to be reported as per the periodicity indicated against each data field given in Annexure-A for the identified indicators. Moreover, monthly complaints data is required to be reported as per the data field given in Annexure-B. For the purpose of the annual reporting, the calendar year (i.e., January to December) shall be followed. The data, as specified above, shall be submitted no later than the 10th day of the month succeeding the reporting period.

This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section 282J of the Companies Ordinance, 1984 (XLVII of 1984).”

(Annexures A & B-Dashboard of Key Performance Indicators (KPIs) (incl. gender disaggregated data) for NBMFCs not reproduced here)

Gender Sensitized Training Requirement for Non-Banking Microfinance Companies.- Following is the text of SECP’s Circular No. 04 of 2025 dated January 31, 2025:-

“The Securities and Exchange Commission of Pakistan in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), hereby mandates all Non-Banking Microfinance Companies (NBMFCs) to enhance gender sensitivity within their governance frameworks.

NBMFCs must equip members of their Board of Directors, management, and staff with a comprehensive understanding of gender dynamics and inclusivity thereby fostering an equitable and inclusive organizational culture. NBMFCs must ensure that all member of the board, senior management and staff receive gender sensitization training within three years from the issuance of this circular.

This Circular shall come into force immediately and any non-compliance shall attract the penal provisions of section 282J of the Companies Ordinance, 1984 (XLVII of 1984).”

Consumer Protection Principles for Non-Banking Microfinance Companies.- Following is the text of SECP’s Circular No. 05 of 2025 dated January 31, 2025:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), hereby introduces the Consumer Protection Principles for the Non-Banking Microfinance Finance Companies (NBMFCs) in addition to the requirements specified through Circular 24 of 2018 and Circular 08 of 2024, and in tandem with women equality in finance policy for the non-banking microfinance sector. These principle aims to ensure that consumers are well-informed, treated fairly, and provided with the necessary tools and support to make sound financial decisions, while enhancing transparency, promoting financial inclusion and strengthening the overall relationship between consumers and non-banking microfinance companies.

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NBMFCs are hereby directed to comply with the following requirements and are encouraged to integrate guiding principles into their operations as outlined in the detailed guiding document attached as Annexure-A.

Disclosure & Transparency

1. The NBMFCs shall ensure clear communication and comprehensive descriptions of terms and conditions, and pricing of the financial products and services;
2. Before proceeding for loan disbursement, NBMFCs shall display a summary of key fact statement (KFS) to the borrower preferably in local language. The key fact statement shall be presented in a simple, clear and easily accessible format and shall include the following minimum information specific to each category:
 - a) Total loan amount
 - b) Pricing, including interest rate (declining balance method/flat), processing charges all fees
 - c) Total cost of credit: segregating principal, interest, and Other fees
 - d) Disbursement date and loan term
 - e) Repayment schedule with principal and interest amounts, number, and due dates of all repayment instalments.
 - f) All deductions from principal disbursement (e.g., first instalment, insurance cost, documentation fees, fees,), if applicable
 - g) Early Repayment Option Availability
 - h) Previous outstanding loan deductions;
3. The loan contracts should be available in local language and a signed copy needs to be shared with the clients along with a signed copy to be kept in the records by the NBMFCs. The contract should include the following minimum information, as applicable to the product:
 - a) Grace period
 - b) Linked products
 - c) Member or guarantor obligations
 - d) Collateral requirements and seizing procedure
 - e) Consequences of late payment and default
 - f) Early payment conditions;
4. Loan repayment schedule needs to be shared with the client at the time of disbursement which is signed by the client and authorized signatory of the NBMFCs. The loan repayment schedule should contain the following minimum information:
 - a) Client information
 - b) loan Amount (principal + interest)
 - c) Number of loan instalments
 - d) Break-up of loan instalments product wise (principal + interest)
 - e) Annual Percentage Rate;
5. Terms & Condition of the financing cannot be changed before the maturity of loan;

6. NBMFCs shall ensure the following disclosures before proceeding for a loan disbursement:

- a) Fee Disclosure: Disclose all fees and charges associated with financial products in a clear and understandable manner during screening/formation, approval of loan, and time of disbursement.
- b) Total Cost of Credit: Clearly explain the total cost of credit, including interest rates, fees, and any other charges.
- c) Risk Information: Clearly communicate the risks associated with each financial product and service;

7. NBMFCs shall ensure that information is accessible through multiple channels, including in-person, online, and mobile platforms, and provided in various languages and formats to cater to a diverse client base.

Complaint Handling & Redressal

1. NBMFCs shall;

- a) Ensure that staff are trained in handling grievance redressal appropriately;
- b) Ensure the submission reporting of gender disaggregated data across all metrics and complaints data as specified through Circular No.03 of 2025 dated 30th January 2025;
- c) Devise a standardized form for recording of complaint data including explicitly defined categories of complaints based on
 - i. product and process
 - ii. digital app (if applicable)
 - iii. Terms & Conditions
 - iv. conduct of NBMFC staff,
 - v. marketing activities,
 - vi. communication practices,
 - vii. debt collection process,
 - viii. third party related complaints;
- d) Provide clients with multiple channels to lodge complaints, including in-person, phone, email, and online platforms;
- e) Ensure that clients are aware of the available complaint mechanisms and can easily access them through clear communication;
- f) Establish and communicate standard response times for acknowledging and resolving complaint;
- g) Implement systems to track the status of complaints and ensure timely follow-up;
- h) Regularly seek feedback from clients on the complaint handling process to identify areas for Improvement;
- i) Provide acknowledgement receipt of complaints and provide regular updates to clients on the status of their complaints;
- j) Clearly communicate the final resolution and any actions taken to address the complaint.

- k) Ensure regular reporting on complaint handling performance to senior management and relevant stakeholders; and
- l) Review complaints reports and key performance indicators (e.g., average time to resolve, percent resolved) on annual basis and takes corrective action to resolve systematic problems leading to complaints.

(Gender Centric Consumer Protection for NBMFCs not reproduced here)

Calculation of Net Asset Value by Collective Investment Schemes - Valuation of CDS Eligible Government Debt Securities (GDS) listed on Pakistan Stock Exchange Limited.- Following is the text of SECP's Circular No. 06 of 2025 dated February 04, 2025:-

"The Securities and Exchange Commission of Pakistan (the "Commission"), in the exercise of its powers under Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 66(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), hereby specifies that all Collective Investment Schemes ("CIS") shall use GIS Revaluation Rates disseminated by the Pakistan Stock Exchange Limited for valuation of CDS Eligible Government of Pakistan Ijarah Sukuks which are listed on the Pakistan Stock Exchange Limited with immediate effect."

Introducing Issuance of Key Fact Statement by AMCs to Investors.- Following is the text of SECP's Circular No. 08 of 2025 dated March 27, 2025:-

"This is further to Clause (x) of the Direction No. 31 of 2016 dated September 22, 2016. The Securities and Exchange Commission of Pakistan (the "Commission") in exercise of its powers conferred under Section 282(B)(3) of the Companies Ordinance, 1984 (XLVII of 1984), hereby directs the Asset Management Companies (AMCs) to 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;

1. AMCs shall provide the approved version of KFS for each Collective Investment Scheme (CIS)/ Investment Plan before soliciting new investments;
2. Each Investment Plan under a CIS shall have a separate KFS;
3. 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);
4. 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.”

5. AMCs shall ensure the validity/correctness of the KFS including the incorporation of any subsequent amendments due to change in the fundamental attributes;
6. AMCs shall continue to make available updated copy of OD's on its official website and other digital means;
7. Template for KFS is attached as Annexure-I to this Circular;
8. 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, shall ensure compliance until June 30, 2025. The AMCs shall submit supplemental constitutive documents to the Commission for information 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.

Template for KFS

Annexure I

Key Fact Statement of
(Name of CIS/Investment Plan)
(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 or 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 AMCI 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 detail);
- b. Trustee (Name and contact details): and
- c. Shariah Advisor (if applicable- Name and contact details)."

Disclosure Requirements by Collective Investment Schemes in Fund Manager Report.-

Following is the text of SECP's Circular No. 09 of 2025 dated March 27, 2025:-

"In order to enhance transparency and to enable the unitholders/investors for making informed investment decisions, the Securities and Exchange Commission of Pakistan (the "Commission") in exercise of powers conferred in terms of Section 282B(3) of the Companies Ordinance, 1984 read with Regulation 38 and Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby specifies following additional requirements for the Asset Management Companies (AMCs) when disclosing information in the Fund Manager Report (FMR):

A. For all categories of Collective Investment Schemes (CIS):

1. 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.
2. 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."
3. Monthly Portfolio Turnover ratio for the CIS shall be included.
4. Monthly Information Ratio of the portfolio of CIS shall be included.

- B. For categories of CIS with Fixed Income securities, quantitative measures of Yield to Maturity, Modified Duration and Macaulay's duration shall be included.
- C. For categories of CIS with Equity securities, quantitative measures of Beta and Standard Deviation shall be included.
- D. For Fixed return/term funds, comparative of benchmark return and committed return shall be included.
- E. Additional requirements for FMR of Exchange Traded Funds include following:
 - 1. Description of the Index.
 - 2. Historic comparison of tracking difference.
 - 3. 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.
 - 4. Quantitative measures mentioned in Clauses B and C above, as applicable.

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.

The disclosures specified herein shall be adopted by AMCs immediately upon receiving approval of the methodology by MUFAP from SECP.”

Relaxation Allowed for participation in Apni Chaat Apna Ghar Scheme to Non-Banking Microfinance Companies Under Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.- Following is the text of SECP’s Circular No. 12 of 2025 dated May 20, 2025:-

“The Securities and Exchange Commission of Pakistan, in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 (XLVII of 1984) read with Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (“the Regulations”), hereby exempts Non-Banking Microfinance Companies (NBMFCs) from the requirement under Regulation 32(2)(c) of the Regulations for participating in Apni Chaat Apna Ghar (“ACAG”) scheme by the Government of Punjab.

The above relaxation applies exclusively to loans obtained from the Government of Punjab by NBMFCs for disbursement under the ACAG scheme aimed at providing Shariah-compliant, interest-free financing to low-income individuals across Punjab.”

Performance benchmarks for Pension sub funds.- Following is the text of SECP’s Direction No. 13 of 2025 dated May 29, 2025:-

“To standardize the disclosures of performance and to bring coherence in the comparison of performance with respective benchmarks for pension sub-funds under sub regulation (1) of Regulation 67I of the Non-Banking Finance

Companies and Notified Entities Regulations, 2008, the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of its powers conferred under section 282B(3) of the Companies Ordinance 1984, hereby, directs Pension Fund Managers (PFMs) to use the following benchmarks for pension sub-funds:

Sr. #	Pension sub-funds	Benchmarks
1	Equity Sub Fund	KSE-100 Index Or KSE-30 Index (Total Return Index).
2	Shariah Compliant Equity Sub Fund	KMI-30 Index Or KMI All Share (Total Return Index).
3	Debt Sub Fund	75% Twelve (12) months PKRV + 25% 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 Debt Sub Fund	75% Twelves (12) months PKISRV + 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.
5	Money Market Sub Fund	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.
6	Shariah Compliant Money Market Sub Fund	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.
7	Equity Index Tracker Sub Fund	Return of the index being tracked by the PFM (Total return based).
8	Shariah Compliant Equity Index Tracker Sub Fund	Return of the Shariah Compliant index being tracked by the PFM (Total return based).
9	Commodity Sub Fund	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.
10	Shariah Compliant Commodity Sub Fund	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.

In addition to implementation of these prescribed performance benchmarks, the PFMs shall also adhere to the following.

A. Dissemination of Performance Benchmarks

Mutual Fund Association of Pakistan (MUFAP) shall calculate benchmarks for each category of Pension Funds for both, Conventional as well as Shariah Compliant. In case of performance benchmarks of the Commodity sub-fund for Conventional as well as Shariah Compliant types, the same shall be calculated by the respective PFMs and shared with MUFAP on a monthly basis.

B. 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 as to ensure that every Pension sub-fund 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, 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 sub-fund, MUFAP shall publish its peer group comparison, but the sub fund itself shall become part of peer group only after completing a period of 6 months.

Commodity sub-fund shall be excluded from the requirement of peer group return dissemination by MUFAP.

C. Performance Disclosure

1. All PFMs shall disclose comparison of their sub-funds' performance with the respective benchmark and Industry Peer Group Average Return, where applicable, in the respective category for the past 5 years in the Fund Manager's Report.
2. 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 sub fund with existing and prospective investors.
3. All PFMs shall disclose performance of their respective pension sub-funds over 1-year, 3-year, 5-year, 7-year, 10-year and since inception periods in comparison to their corresponding benchmarks.

D. Other Requirements

1. MUFAP shall monitor performance disclosures of the respective sub-funds and ensure effective compliance with the same.
2. 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.
3. MUFAP shall publish all the category wise benchmarks on monthly basis and use monthly weighted average rates to bring consistency.
4. MUFAP shall publish on its website, ranking of pension sub-funds on the basis of their last 365 days returns, on monthly basis.

E. Adoption of this Direction

1. The above-mentioned benchmarks shall be adopted by PFMs from 01 July, 2025."

Requirements Applicable to Non-Executive Directors Nominated by an Asset Management Company on the Board of a Brokerage Subsidiary.- Following is the text of SECP's Circular No. 14 of 2025 dated June 11, 2025:-

The Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 37(4)(c) and Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") hereby allows an Asset Management Company (AMC) to nominate its employees as nonexecutive directors on board of a brokerage subsidiary subject to compliance with following requirements:

1. 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;
2. 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;
3. AMC shall ensure that its brokerage subsidiary has at least 113 independent directors;
4. Brokerage house shall not indulge in proprietary trading;
5. 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;
6. A formal, board-approved Chinese Wall policy must be implemented to prevent any flow of nonpublic, 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;
7. Segregation of front office and back office systems used by both entities with strict access controls, firewalls, and audit trails shall be ensured;
8. Any member of the Investment Committee shall not be eligible for appointment as directors in the brokerage subsidiary;
9. The proposed brokerage subsidiary's CEO, research heads, and traders must be independent of the AMC; and
10. 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 Board of both entities."

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Additional Disclosures for Existing Fixed Periodic Payment/ Drawdown Plans and Restriction on New Investor Participation.- Following is the text of SECP's Direction No. 15 of 2025 dated July 03, 2025:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of the power conferred under Section 282D of the Companies Ordinance, 1984 read with Regulation 44(8) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”), hereby directs that 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 statement 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.

2. Asset Management Companies 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.”

Issuance of Key Fact Statement by PFMs to Investors.- Following is the text of SECP’s Circular No. 17 of 2025 dated July 16, 2025:-

The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of its powers conferred by Section 282(B) read with Section 282(D) of the Companies Ordinance, 1984 (XLVIII of 1984), hereby directs that all Pension Fund Managers (PFMs) to incorporate a Key Fact Statement (KFS), as second to the title page of the Offering Document (OD), in order to achieve clarity and ease of understanding for the investors enabling them to make a well-informed investment decision.

KFS shall be subject to following minimum requirements;

1. PFMs shall provide approved version of KFS for each Pension Fund before soliciting new investments.
2. PFMs shall ensure that KFS for each Pension Fund is readily accessible to investors on its website/ online portal.

3. PFM's shall ensure that at the point of sale, including through PFM'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 participants 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 received and 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."
4. PFM's shall ensure the validity/correctness of the KFS including the incorporation of any subsequent amendments due to change in the fundamental attributes.
5. PFM's shall continue to make available updated copy of OD's on its official website and other digital means.
6. Template for KFS is attached as Annexure I to this Circular; and
7. These requirements shall be applicable from August 15, 2025. The PFM's shall submit supplemental constitutive documents to the Commission for information within one week from the date of amendments in terms of Regulation 67J(4) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008."

Requirements for Launch of Collective Investment Schemes Plans.- Following is the text of SECP's Direction No. 18 of 2025 dated July 21, 2025:-

"In order to bring clarity and uniformity with respect to launch of Collective Investment Schemes (CIS) / Investment Plans Securities and Exchange Commission of Pakistan (the "Commission"), in exercise of its powers conferred under section 282B(3) of the Companies Ordinance, 1984 clarifies that:

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.

2. In order to ensure adherence with the above, the Asset Management Companies (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."

Categorization of Open-End Collective Investment Schemes.- Following is the text of SECP's Circular No. 23 of 2025 dated August 21, 2025:-

“This is further to Circular No.7 of 2009 dated March 6, 2009, Circular No. 16 of 2010 dated July 7, 2010, Circular No. 32 of 2012 dated October 18, 2012, Circular No.9 of 2013 dated June 11, 2013, Direction No.1 of 2016 dated January 26, 2016, Circular No.3 of 2022 dated February 10, 2022, Circular No.9 of 2023 dated June 01, 2023 and Direction No. 17 of 2023 dated December 6, 2023 wherein the categorization of open-end schemes have been prescribed, the Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 55(2) and 67 A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) is pleased to allow a new type of Collective Investment Scheme to be categorized as “Infrastructure Scheme” subject to compliance with following requirements:

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;
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. 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;
4. The Asset Management Company (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;
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.
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;

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:

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. <i>This condition shall not apply to securities issued by the Federal Government.</i>	
Minimum Investment	At least seventy percent 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 basis of the average daily net assets	Up to 1.50% calculated on a per annum basis of the average daily net assets	Weighted average approach based on respective allocation of net assets.	

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.”

Adoption of Digital Payment Across Regulated Sectors of SECP.- Following is the text of SECP’s Direction No. 24 of 2025 dated August 26, 2025:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) is empowered under Clause (m) of Subsection (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (the “Act”) to encourage the

organized development of the financial services markets and other sectors regulated by the Commission, therefore, in order to promote and facilitate the adoption of digital payment systems by the Licensed Entities and in exercise of its powers conferred under: (i) Section 40B of the Act; (ii) Section 282D of the Companies Ordinance, 1984; (iii) Section 41B of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, read with all enabling provisions of the Act and the administered legislation, hereby directs, that all the Licensed Entities shall:

- i. Implement digital payment solutions particularly Raast QR code in their Offices/ branches;
 - ii. Display digital payment solutions like QR Code, POS, Soft POS, internet and mobile-based payment mechanism, at their Offices/ branches; and
 - iii. Not to refuse any person who intends to make payment digitally.
2. All Licensed Entities shall ensure compliance with the requirements of this directive by October 31, 2025, and upon integration, shall report the same to the Commission at compliance.digitalpayments@secp.gov.pk.

PSX to enhance or incentivize offering of Shariah-compliant intermediary services.-

Following is the text of SECP's Direction No. 25 of 2025 dated August 27, 2025:-

"In exercise of the powers conferred by section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with clause (x) of subsection (4) of section 20 thereof, the Securities and Exchange Commission of Pakistan hereby directs Pakistan Stock Exchange and the Central Depository Company to comply with the requirements contained in this directive, as applicable to them, to enhance or incentivize offering of Shariah-compliant intermediary services.

The Pakistan Stock Exchange shall:

- (i) Ensure timely development of a Shariah-compliant trading mechanism after consensus of stakeholders;
- (ii) Coordinate with TRE Certificate Holders to submit a plan for transitioning towards Shariah-compliant brokerage services through conversion, forming a subsidiary, or establishing window operations, for onward submission to the Commission; and
- (iii) Formulate and execute a plan for awareness regarding Shariah-compliant brokerage services.

The Central Depository Company shall:

- (i) Create a separate category for Shariah-compliant intermediaries on Asaan Connect (Centralized Gateway Portal) and a separate category for Shariah-compliant asset management companies on Emlaak Financials; and
- (ii) Collaborate with the State Bank of Pakistan to develop a separate category for Shariah-compliant intermediaries on the websites and mobile applications of Islamic banks for the benefit of Roshan Digital Account clients."

Requirements for Launch of Collective Investment Schemes Plans.- Following is the text of SECP's Direction No. 26 of 2025 dated August 27, 2025:-

“In exercise of the powers conferred by section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with clause (x) of subsection (4) of section 20 thereof, the Securities and Exchange Commission of Pakistan hereby directs the Shariah-compliant institutional investors (Takaful Operators, Window Takaful Operators, Non-Bank Finance Companies, Collective Investment Schemes, Voluntary Pension Schemes, Modarabas, Modaraba Management Companies, Private Funds and Securities Brokers) to progressively route their business through Shariah-compliant securities brokers in a phased manner as follows:

Phase I: Up to June 30, 2026

- a. Formulate an internal policy by December 31, 2025 to determine the portion of securities trading business to be routed through Shariah-compliant securities broker(s), and commence implementation in accordance with the approved policy;
- b. Commence quarterly reporting to the Commission from March 31, 2026, indicating the percentage of business routed through Shariah-compliant securities broker(s), along with any implementation issues and challenges; and
- c. Initiate and complete the inclusion of at least one Shariah-compliant securities broker in their panel of approved brokers by June 30, 2026.

Phase II: July 01, 2026 to June 30, 2027

- a. Ensure that at least one Shariah-compliant securities broker remains part of their panel of approved brokers; and
- b. Ensure that no less than 20% of overall business is routed through Shariah-compliant securities broker(s).

Phase III: July 01, 2027 onwards

The Commission shall evaluate the entity-wise and sector-wise progress and determine the way forward for complete transition to execute all securities trading transactions through Shariah-compliant brokerage services; and

Further, Shariah-compliant institutional investors are strongly encouraged to switch to takaful for their insurance needs and Shariah-compliant asset management companies for investment purposes.”

Maintenance of website and disclosure requirements for Pension Fund Managers.- Following is the text of SECP's Circular No. 32 of 2025 dated November 28, 2025:-

“In exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984, (XLVII of 1984), the Securities and Exchange Commission of Pakistan hereby directs the Pension Fund Managers (PFMs) to maintain a website and disclose the following:

1. Disclosure on the Website

A PFM shall maintain a website containing the following minimum information:

- a. latest financial statements of the pension scheme;
- b. constitutive documents of the pension scheme;
- c. important notices;
- d. information material for products offered by the PFM including daily NA V of the pension scheme, latest Fund Manager Report, etc.;
- e. complaint handling mechanism and related details;
- f. expense ratio and management fee of pension scheme under management;
- g. education material for investors; and
- h. SECP investor complaints web address.

2. Monthly Fund Manager Report

The PFMs shall ensure that a copy of latest monthly Fund Manager Report (“FMR”) of the scheme is available at its website and a copy of said FMR shall be submitted to the Commission simultaneously.

3. Placement of Constitutive Documents by PFMs on Website

The PFMs shall place the approved constitutive documents of all the pension schemes under their management on their respective websites. In case of any amendments made in the constitutive documents through supplemental constitutive documents approved by the Commission, a PFM 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 update i.e. “XYZ fond updated up to DD/MM/YY”.

4. Announcement of Daily NAV

PFMs shall announce net asset value (NAV) of all pension schemes being managed by them latest by 1830 hours daily on their own website and disseminate the same to MUFAP for placing the same on its website.”

Categorization of Open-End Collective Investment Schemes (CIS).- Following is the text of SECP’s Circular No. 36 of 2025 dated December 17, 2025:-

“This is in supersession of Direction No. 17 of 2023 dated December 06, 2023 and Direction No. 22 of 2024 dated December 06, 2024 regarding the Categorization of open-end Collective Investment Schemes (CIS).

In order to enhance and promote the capital markets and ensure wider participation of mutual funds in one year GoP Ijarah Sukuk (GIS), the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of its powers conferred under section 282B(3) of the Companies Ordinance 1984 read with Regulation 55(2) of the Non-Banking Finance Companies and Notified

Entities Regulations, 2008 (the “Regulations”), hereby, allows the Asset Management Companies on behalf of Money Market Schemes to invest in GIS listed and traded through Pakistan Stock Exchange with a maturity exceeding six months and up to one year subject to following conditions:

1. Requirement for weighted average time to maturity of the net assets including government securities shall remain as “not exceed 90 days”;
2. 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
3. All the other conditions applicable on money market schemes including the risk profile through the prevalent Regulations, Circulars and Directions shall remain intact.”

Regulatory Framework for Account Opening by Asset Management Companies (AMCs).- Following is the text of SECP’s Circular No. 02 of 2026 dated January 21, 2026:-

“This is further to the Circular No. 26 of 2021 dated October 7, 2021, Circular No.32 of 2021 dated December 8, 2021, and Circular No. 9 of 2022 dated September 26, 2022 on the captioned subject. In this regard, the Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 hereby allows the Asset Management Companies (AMCs) to 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:

1. 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/I BAN Number/E-Wallet Mobile Account Number;
 - d. Contact Details:
 - i. Mobile Number;
 - ii. Landline (Optional);
 - iii. Email Address; and
 - iv. Postal Address.

2. 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.
3. The AMCs shall verify the identity document through NADRA and conduct screening of the customer against applicable sanctions regimes (UNSC, NACTA, etc.).
4. The AMCs shall ensure that the investment and transaction limits against each CNIC are in compliance with the Sehl Account limits as already specified.
5. Sehl Accounts may be graduated to any account subject to fulfilment of documents and verification requirements that commensurate with respective account.
6. The AMCs shall adhere to all other requirements applicable to Sehl Account unless expressly modified or relaxed by the above-stipulated requirements.
7. The AML/CFT Regulations issued by the Commission and changes therein shall be applied *mutatis mutandis* to the Sehl Account.”

Digital Onboarding of Investors through Regulated Financial Institutions or Third Parties Notified by the Commission via API Integration.- Following is the text of SECP’s Circular No. 03 of 2026 dated January 29, 2026:-

“In order to promote financial inclusion, to attract low-ticket investments under Sehl Sarmayakari Account (*Sehl Account*), and to eliminate duplication in customer verification while ensuring compliance with the Anti-Money Laundering Act, 2010 (AML Act) and the Securities and Exchange Commission of Pakistan (Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing) Regulations, 2020 (“*AML/CFT/CPF Regulations*”), the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of its powers conferred under sub-section (3) of section 282B of Companies Ordinance, 1984 (XLVII of 1984), in continuation of its earlier Circulars No. 26 of 2021 dated October 7, 2021, Circular No. 32 of 2021 dated December 8, 2021, Circular No. 9 of 2022 dated September 26, 2022 and Circular No. 02 of 2026 dated January 21, 2026, is hereby please to allow Asset Management Companies (AMCs) to onboard customers digitally through regulated reporting entities via secure API integration, subject to the following conditions,-

- (1) This circular shall apply to AMCs for onboarding of investors under Sehl Account only;
- (2) 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;

- (3) 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;
- (4) Upon receiving of such verification information, AMCs shall not be required to repeat verification of respective customer identity through NADRA;
- (5) 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 Commission or competent authority, for verification, inspection, as and when required;
- (6) 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;
- (7) 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; and
- (8) All other requirements under the applicable regulatory framework shall continue to apply.”

Financing arrangements for Collective Investment Schemes and Pension Funds for smooth Transition to T+1 Settlement Cycle.- Following is the text of SECP’s Circular No. 04 of 2026 dated February 04, 2026:-

“In order to facilitate a smooth transition of the mutual fund industry to the T+1 settlement cycle, the Securities and Exchange Commission of Pakistan (“the Commission”), in exercise of the powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) read with Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby allows that the Asset Management Companies (“AMCs”) and the Pension Fund Managers (“PFMs”) avail conventional or Shariah compliant financing facility (financing facility), if needed, against subscription of units, on behalf of Equity oriented Collective Investment Scheme 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.
- (III) The AMC may also utilize its own funds to meet the cash requirement of CIS/PF, without charging any cost to the CIS/PF, on reimbursement basis, subject to the conditions provided in this Circular;

- (IV) The AMCs/PFMs 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/PF as on the preceding business day, or cash shortfall arising from uncleared banking instruments and conversion requests received on that day;
- (VI) The AMCs/PFMs 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/PFMs shall submit a fortnightly report for respective CIS/PF as per the following format to the Trustee and the Commission:

Name of CIS/ PF	Category of CIS/ PF	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

.”

Withdrawal of Circular No. 13 of 2023 dated August 31, 2023 - Licensing and Allied Applications with Sponsors / Directors as Foreign Individuals/Entities.- Following is the text of SECP’s Circular No. 09 of 2026 dated June 02, 2026:-

“In exercise of powers conferred by Section 40B, read with clause (d) of sub-section (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby withdraws Circular No. 13 of 2023 dated August 31, 2023 titled “LICENSING AND ALLIED APPLICATIONS WITH SPONSORS/ DIRECTORS AS FOREIGN INDIVIDUALS/ ENTITIES” with immediate effect.”

Withdrawal of Circular No. 14 of 2023 dated September 05, 2023 - Licensing and Allied Applications with Sponsors / Directors as Foreign Individuals/Entities.- Following is the text of SECP’s Circular No. 11 of 2026 dated June 02, 2026:-

“In exercise of powers conferred by Section 40B, read with clause (s) and (u) of sub-section (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby withdraws Circular No. 14 of 2023 dated September 05, 2023 titled “LICENSING AND ALLIED APPLICATIONS WITH SPONSORS/ DIRECTORS AS FOREIGN INDIVIDUALS/ ENTITIES” with immediate effect.”

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Framework for ESG Mutual Fund (Categorization of Open-End Collective Investment Schemes).- Following is the text of SECP's Circular No. 12 of 2026 dated June 24, 2026:-

In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with sub-regulation (2) of Regulation 55 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), the Securities and Exchange Commission of Pakistan (the "Commission"), is pleased to allow a new type of Collective Investment Scheme (CIS) to be categorized as "ESG Scheme" subject to compliance with the following requirements:-

(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.

(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) 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.

(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.

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.
- (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.
- (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.
- (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:-

(i) **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.

(ii) **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.

(iii) **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.

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

(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.

(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.”

Mechanism for Establishment and Regulatory Requirements for Operations of the Market Development Fund.- Following is the text of SECP's Circular No. 13 of 2026 dated June 30, 2026:-

“The Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of its powers conferred under Section 282(B)(3) of the Companies Ordinance, 1984 (XLVII of 1984) read with Regulation 38(1)(ab), 41(pa) and 67B(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby specifies 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).

1. **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.

2. **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.

3. **Governance and Management of MDF-** MUF AP 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.

4. **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.

5. **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:

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.

6. **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

E2/136/15-09-2026

The Terms of Reference (TORs) for operationalization and utilization of MDF shall be established by the Board of Directors (BOD) of the MUF AP 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, info graphics, 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 nationwide investor 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. Other Matters:**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.”

Inclusion of Lending Non-Banking Finance Companies as Participating Financial Institution in the Government Mark-up Subsidy Scheme and Risk Coverage Scheme for Affordable Housing Finance called “Prime Minister Apna Ghar Program”.- Following is the text of SECP’s Circular No. 15 of 2026 dated July 01, 2026:-

“In pursuance of the approval by the Economic Coordination Committee (ECC) of the Cabinet in Case No. ECC-59/12/2026 dated May 5, 2026, subsequently ratified by the Federal Cabinet vide Case No.325/Rule-19/2026/383 dated May 20, 2026, and Notification of Ministry of Housing and Works dated June 2, 2026, whereby the Lending Non-Banking Finance Companies (Lending NBFCs) have been included as Participating Financial Institutions (PFIs) in the Prime Minister Apna Ghar (PM-APG) Program, the Securities and Exchange Commission of Pakistan (“Commission”), in exercise of its powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), hereby prescribes the following requirements for participation of Lending NBFCs as PFIs in PMAPG Program:-

1. The features of the PM-APG Program shall be as laid down in Annexure-I to this Circular.
2. Lending NBFCs extending housing finance loans through direct lending shall do so in conformity with the eligibility criteria, operational conditions, and procedural requirements as laid down in Annexure-II to this Circular.
3. Lending NBFCs intending to participate through the wholesale lending arrangement or intermediary partnership model shall conduct such activities in accordance with the requirements as laid down in Annexure-III to this Circular.
4. Lending NBFCs shall submit subsidy claims in the manner and within the timelines as laid down in Annexure-IV to this Circular.

5. Lending NBFCs shall submit a monthly report as per the prescribed format as laid down in Annexure-V to this Circular.

Annexure-I**FEATURES OF THE PM-APG PROGRAM**

Parameters	Features
Eligibility Criteria	• First time homeowners, citizens of Pakistan holding CNICs. • Not owning any housing unit in their name
Scope	• Purchase of house/flat • Construction of house on already owned plot • Purchase of plot and construction of house
Size of Housing Unit	• House of up to 10 Marla/2720 sq. ft • Flat/Apartment of up to 1500 sq. ft. area
Maximum Loan size	• Up to PKR 10 Million
Maximum Loan Tenor	• 20 years (subsidy for 10 years)
Lending NBFC Pricing	• One Year KIBOR + 3%
Customer/end user fixed pricing	• Flat 5%
Lending NBFC Charges	• No processing cost • No prepayment penalty
Loan to Value (LTV) Ratio	• 90:10 (90% loan & 10% equity)
Risk Coverage	• 10% of the outstanding portfolio under the program on first loss basis

(Annexures II to VIII not reproduced here)

Relaxation Allowed for participation in Prime Minister Apna Ghar Program to Housing Finance Companies and Non-Banking Microfinance Companies under Regulation 67 A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.- Following is the text of SECP's Circular No. 16 of 2026 dated July 01, 2026:-

“In exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 (XLVII of 1984), read with Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (“the Regulations”), the Securities and Exchange Commission of Pakistan, in order to facilitate the participation of Non-Banking Microfinance Companies (NBMFCs) and Housing Finance Companies (HFCs) in Prime Minister Apna Ghar Program (PM-APG Program), hereby relaxes the following requirements prescribed under:-

- (i) regulation 17(3)(a) of the Regulations for NBMFCs; and
- (ii) regulation 28(e)(ii), 28(e)(iv) and 28(e)(vii) of the Regulations for HFCs.

(2) The above relaxation applies exclusively on loans provided under the PM-APG Program, and revised requirements related to aforementioned regulations have been provided under Circular No. 15 of 2026 dated July 1, 2026.”

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