



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALISED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT**

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Circular No. 16 of 2014

REQUIREMENTS FOR ASSET MANAGEMENT COMPANIES TO ADVERTISE OPEN END COLLECTIVE INVESTMENT SCHEMES

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, specifies the following advertisement requirements for a CIS.

SCOPE

For the purpose of 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 recipients of such communication regarding particular CIS shall fall within the scope of this circular.

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

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

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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



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

NOTE: The performance of a CIS is defined as the total return of one unit over a specified period. Total return shall be calculated using any methodology approved by the Commission, including MUFAP's prescribed Total Return formula, Global Investment Performance Standards (GIPS) issued by the CFA Institute or any other methodology approved by the Commission. Formula for calculating Total Return shall be used consistently by an AMC.

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:

	Fund's Return	Benchmark Return	Stability Rating (for MM/FI Funds)
Money Market Schemes – Minimum one month return (annualized)			
Income and Aggressive Income Schemes– Trailing one year return (for CIS having investment track)			



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<i>record of less than one year but over six months, annualized return shall be provided)</i> <i>(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)</i> <i>(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 its benchmark for the following observation periods. However, these shall be mandatory for publishing performance of a CIS in the Monthly Fund Manager Report or product brochures or marketing material relating to the CIS to present performance (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 loadsetc.:

- 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, whereas absolute for others*); and



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

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,



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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



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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 investments), it is permissible to continue using past performance data only if there is no significant change in the investment policy and investment character of the CIS.

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.



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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.



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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.


(Imtiaz Haider)
Commissioner (SCD)

Distribution

- I. Chief Executives of all Asset Management Companies
- II. Mutual Funds Association of Pakistan
- III. Trustees of Collective Investment Schemes



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ANNEXURE I

Disclaimer for TV Commercial (Existing Fund and New Fund)

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

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

میو چل 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

The following sentences will be used as voice-over when the disclaimer is being displayed.

میو چل 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

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

Disclaimer for Radio Commercial (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.

میو چل 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



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

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

میوچل فنڈز میں سرمایہ کاری کے نتائج مارکیٹ کے حالات پر منحصر ہیں
سرمایہ کاری کی پالیسیوں اور رسک کو بخوبی سمجھنے کے 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 Funds:

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

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

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

- (a) Name and credit rating of the guarantor;



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

Disclaimers for website, you tube and social media

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

Additional disclaimer for non-compliant open end schemes:

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

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

Additional disclosures regarding contingent WWF liability

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

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

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



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Annexure II

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

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