



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

No. SCD/PRDD/Circular/361/2016

December 30, 2016

CIRCULAR NO. 40 OF 2016

Subject: Conditions for Charging of Selling and Marketing Expenses to Mutual Funds

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. Selling and Marketing expenses will be allowed initially for three years (from January 01, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds only.
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.
3. The selling and marketing expenses can only be used for the following purposes:
 - a) Cost pertaining to opening and maintenance of new branches by AMCs in cities except Karachi, Lahore, Islamabad and Rawalpindi.
 - b) Payment of salaries to sales team posted at new branches.
 - 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.*

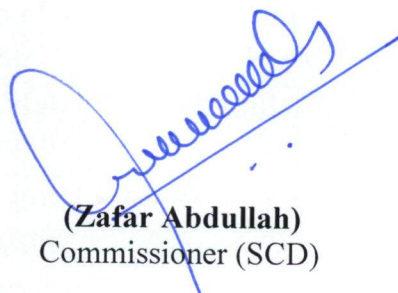
5. AMCs which intend to charge these expenses to fund shall submit their annual plan duly approved by their Board of Directors to the SECP for concurrence. AMCs can charge such expenses only after concurrence of the plan by the SECP. The plan should cover the following at minimum: -
 - a) Name of funds 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.



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- 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 NAV 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.


(Zafar Abdullah)
Commissioner (SCD)

Distribution:

1. Chief Executives of All Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes