



# MUTUAL FUNDS FOR MASSES

## Staying Ahead of the Curve

Navigating Emerging Trends in the Mutual Funds Industry

July 2025

Fund Management Department  
**Specialized Companies Division**

Included in this White Paper

- ❖ **Discussions in Brief**
- ❖ **Key Exhibits**
- ❖ **Proposed SECP Reforms**
- ❖ **Industry Feedback**
- ❖ **Way Forward**

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## 1. INDUSTRY SNAPSHOT AND EVOLUTION

Pakistan's local mutual fund industry has experienced remarkable growth over the past decade. In particular, income funds and money market funds have expanded significantly, growing nearly tenfold and twenty-fourfold, respectively. In contrast, assets under management (AUMs) in equity schemes have remained relatively stagnant, as illustrated in Exhibit 1. While this domestic expansion is noteworthy, it is unfolding alongside a series of profound transformations in the global mutual funds landscape. These global shifts—ranging from product innovation and investor behavior to technological disruption—are likely to exert a ripple effect on Pakistan's industry, shaping its future trajectory in both challenges and opportunities.

Key trends in this global change include the rise of passive investing, ESG integration, advanced technology use, and the expansion of alternative investments. With over \$15 trillion in assets, passive funds now rival active funds. Investors are drawn to their low fees, simplicity, transparency, and liquidity through ETFs. ESG assets have surged to \$30 trillion and are projected to reach \$130 trillion by 2032 (CAGR: 17.3%). Investors increasingly want alignment between values and portfolios. As per a research, 60% of asset managers are adopting big data and AI to offer personalized experiences, robo-advisory services, and seamless digital onboarding.

With \$13 trillion in AUM, alternatives such as thematic and multi-asset funds are being used to hedge volatility and seek higher returns. Projected AUM: \$26 trillion by 2032 (CAGR: 9%).

### SHIFTING INVESTOR BEHAVIOUR:

Modern investors expect digital access, cost transparency, and tailored experiences:

- 65% prefer digital channels.
- Fee compression is widespread.
- 45% of millennials want tailored funds
- 75% would pay more for value-aligned products.

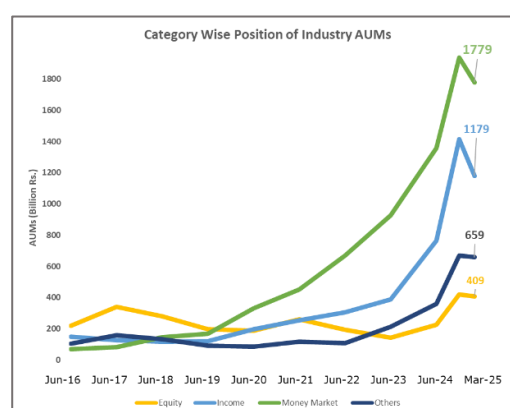


Figure 1 - Mutual Funds Industry AUMs (Pak)

### FUND MANAGERS' RESPONSE:

Asset managers are embracing operational efficiency through automation, cloud integration, and the strategic outsourcing of non-core functions. These measures not only reduce costs but also enhance agility and enable a sharper focus on client-centric innovation. The mutual funds landscape is being reshaped by the rise of ESG, thematic, and tokenized funds. Some

firms are also leveraging machine learning to enhance portfolio construction and drive more precise, data-informed investment decisions.

Investors increasingly seek bespoke solutions. Offerings such as goal-based allocation and direct indexing empower them to tailor portfolios in alignment with their individual objectives and ethical priorities making personalization an industry standard.

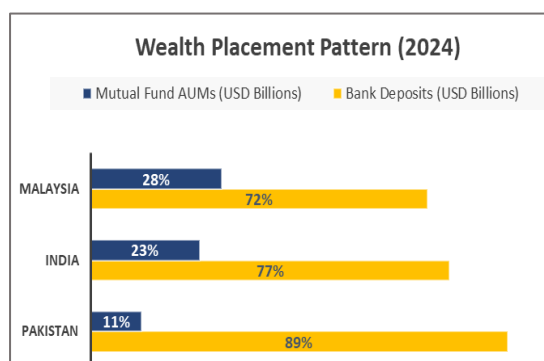


Figure 2 - Wealth Placement Pattern Comparison

**Foreign Affiliations:** Cross border partnerships are enriching domestic markets with global expertise and expanded reach. Notable collaborations—such as SBI Mutual Fund with Amundi, Nippon Japan with Reliance India, ICBC Credit Suisse, and Bank of China with Amundi are enhancing innovation, trust, and access to international best practices.

To stay competitive, asset managers must embrace innovation, personalization, and global collaboration. They must also explore foreign affiliations. Proactive transformation today will define the market leaders of tomorrow.

## 2. CAPITAL MARKETS AND THE FUTURE OF INFRASTRUCTURE FINANCE IN PAKISTAN

Pakistan faces an urgent need to expand its infrastructure, with an estimated investment requirement of \$15 billion annually to support sustainable development. Current infrastructure spending remains significantly below global benchmarks - just 2.1% of GDP compared to the global standard of 8–10%.

Given the limitations of government resources in meeting rising infrastructure needs, attracting private sector investment is essential. Regulatory structures like Mutual Funds, Real Estate Investment Trusts (REITs), and Infrastructure Bonds & Sukuks are acknowledged as critical tools for encouraging such investment. Around the world, these frameworks have been successfully utilized to mobilize private capital for infrastructure financing.

Examples:

- **USA:** Municipal Bond Mutual Funds.
- **India:** Infrastructure Debt Schemes and Infrastructure Investment Trusts (InvIT)
- **Malaysia:** Sustainable and Responsible Investment (SRI) funds and Sukuk financed transit projects.
- **Saudi Arabia:** Sukuks for airport and green energy development

The existing REIT Regulations offer a strong foundational framework for the establishment of Infrastructure REITs, as it

already encompasses key enabling features such as recognition of Public-Private Partnership (PPP) models through concession agreements with government entities defining clear modalities for engagement with implementing agencies, and identification of eligible infrastructure sectors. Although current regulations restrict REIT income to rental returns and capital gains, revenue generated from the operation of infrastructure projects under PPP arrangements may also be permitted, provided it is explicitly included in the concession agreement and a formal exemption is obtained from the SECP.

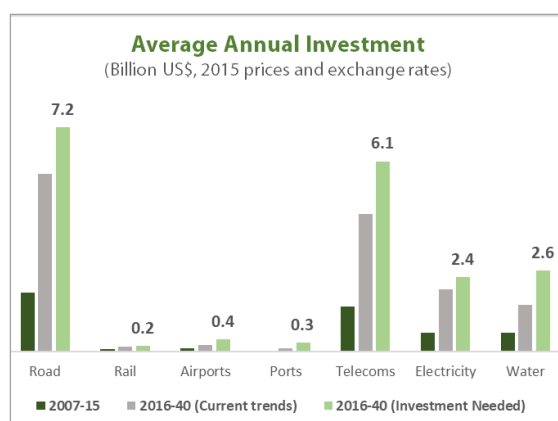


Figure 3 - Average Annual Investment Required, Pakistan

### REFORMS PROPOSED BY SECP FOR INFRASTRUCTURE FINANCE IN PAKISTAN

To unlock this potential, Pakistan must:

- Introduce a dedicated Infrastructure Mutual Fund category.
- Addition of a dedicated section for Infrastructure REITs within the existing REIT Regulations or issuance of separate regulations, which will define eligible sectors, allow Operational REITs, mandate for PPP based

structures, & recognize both interest & business income as revenue streams.

#### INDUSTRY FEEDBACK

- Use REITs for attracting private sector investment into existing government owned infrastructure
- Boost Public and HNWI Participation through awareness and product access
- Broaden the definition of 'infrastructure' to include agriculture and livestock to encourage investment in rural areas
- Diversify mutual fund offerings by encouraging industry to shift from debt and money market investments to equity and sectoral funds
- Pilot small-scale, revenue generating REIT projects (e.g., hostels, warehouses)
- Enable public funded REITs for urban development financing.
- Prevent tax arbitrage and ensure only genuine infrastructure projects receive tax benefits.
- Shift private funds from loss-making State Owned to viable infrastructure, potentially surpassing public spending.

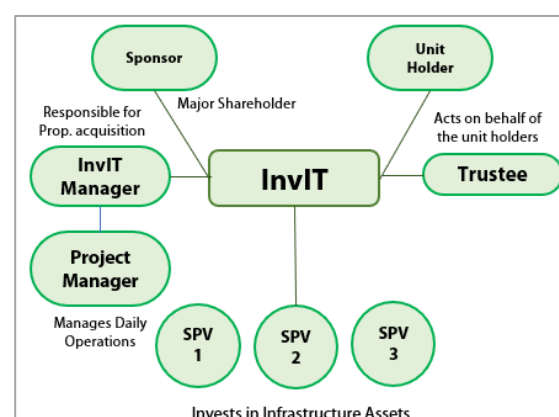


Figure 4- Structure of InvITs in India



### WAY FORWARD

Drawing on SECP's proposal detailed in above, and the industry's feedback, the following roadmap is recommended to strengthen infrastructure financing via capital market instruments.

#### **Framework for Infrastructure REITs in Pakistan:**

Two alternative regulatory pathways may be explored: 1) Introducing necessary amendments to the existing REIT Regulations, 2022 to formally recognize Infrastructure REITs as a distinct category, 2) developing a standalone set of regulations tailored for Infrastructure REITs. Either way, the following key considerations will guide the framework:

- Specification of eligible infrastructure sectors and sub sectors;
- Classifying the REIT categories for infrastructure as Rental, Developmental, Operational or Hybrid;
- Mandating structure under the PPP model;
- Recognizing interest income, rental income, capital gains, & business income as permissible revenue; and
- Specification of prudential regulatory investment limits to strengthen the structure and enhance its resilience.

#### **Introduce a distinct category of Infrastructure Mutual Fund:**

While the current regulatory framework permits sector specific infrastructure funds, introduction of a distinct category would enhance regulatory clarity,

improve visibility, and underscore strategic importance of infrastructure financing. Key distinct features may Include:

- Mandatory closed-end fund structure
- Defined minimum and maximum maturity periods
- Specification of minimum fund size requirement
- Seed investment by the Asset Management Company (AMC);
- Weighted Average Time to Maturity (WATM) aligned with the fund's maturity, and
- Monthly Net Asset Value (NAV) declarations instead of daily updates.

Further, SECP will continue to engage with industry to create awareness, facilitate use of Infrastructure Funds to pilot small scale projects, urban investments and other key priority areas to effectively meet the infrastructure funding requirements.

### **LIQUIDITY REFORMS, GOVERNANCE AND TRANSPARENCY**

Our mutual fund industry is undergoing a transformation, driven by the need for stronger liquidity management, improved governance, and greater transparency. As investor expectations evolve, the industry is being challenged to enhance its resilience and build trust through better risk controls and clearer performance disclosures. The regulatory landscape, including frameworks like the Code of Corporate Governance and

MUFAP's Code of Conduct, lays out key requirements for ethical conduct, board independence, and financial reporting. Transparency in valuation, expense ratios, and risk metrics is increasingly viewed as essential to informed decision-making. Together, these developments signal a shift toward a more robust and accountable mutual fund ecosystem.

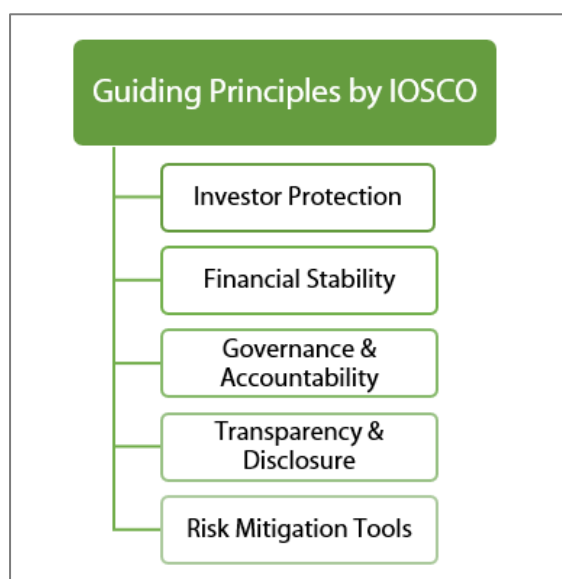


Figure 5 - IOSCO's Principles for Liquidity Management

## REFORMS PROPOSED BY SECP

### 1. Implementation of Swing Pricing

- Adjust fund NAVs to account for cost of large inflow / redemptions.
- Protect existing investors from dilution during high-volume transactions.
- Follow models from jurisdictions like the USA (voluntary), India (hybrid), and Malaysia.

### 2. Strong Governance Frameworks

- Ensure board independence and adherence to fiduciary responsibilities.

- Enforce board-approved policies on conflict of interest, fee sharing, and employee trading.

### 3. Enhance Transparency & Disclosures

- Improve performance measurement through clear reporting of NAV, benchmarks, expenses, and risk metrics.
- Mandate stewardship and proxy voting policies.
- Increase clarity around valuation of debt securities.

### 4. Adopt Ethical, Compliance Standards:

- Align with MUFAP's Code of Conduct for AMCs, advisors, and distributors. Support whistleblower protection & ethical consultations.

### 5. Utilize Technology and Infrastructure:

- Leverage SECP's regulatory portal for streamlined disclosures & governance reporting.

### INDUSTRY FEEDBACK

- Adopt swing pricing to manage liquidity risks effectively.
- SECP should provide guiding principles instead of hard mandate, allowing funds flexibility based on their specific liquidity profiles, volatility and size.
- Increase equity ETF exposure limit to 20%

- Supported allowing dynamic exposure limits in debt securities based on credit rating (e.g., 20% for AAA, 15% for AA, and 10% for A rated debt securities)
- Supported reducing redemption period to 03 days for income based funds and maintain 5-day status quo for equity based funds.
- Introduce a high-risk fund category
- Lower minimum cash requirement (MCR) in income funds and money market funds to 10%.

### WAY FORWARD

- **Instrument-Based Credit Rating**  
Adopt independent instrument ratings for debt instruments with or without credit enhancement features instead of stand-alone rating of issuer or guarantor.
- **Equity Fund Exposure Caps**  
Revisit exposure caps in equity funds and align them with international best practices in light of domestic market dynamics.
- **Debt Exposure Limits:**  
Introduce dynamic exposure caps by relating them to credit rating (e.g., AAA 20%, AA 15%, A 10%) with some flexibility for Islamic funds.
- **High-Risk Fund Category**  
Engage with PSX and NCCPL to introduce a fund category allowing exposure in derivatives for institutional and HNWI investors,

subject to robust disclosures and risk controls.

- **ETF Exposure Limit**  
Increase limit to 20% for equity ETF to improve market depth and investor participation; establish regulatory oversight for debt and MM ETFs.
- **Minimum Cash Requirement in Income Funds**  
Reduce minimum cash holding to 10% for Income funds and revisiting the same for other debt-based funds.
- **Redemption Period**  
Revise redemption period in line with international best practices.
- **Swing Pricing Adoption**  
Introduce Swing pricing approach and adoption of a mechanism suitable for domestic industry. Consider issuing guiding principles allowing flexibility per fund type, with simplified disclosure to avoid investor confusion.
- **Liquidity Management Policy:**  
Mandating board approved liquidity management policy, including stress testing frameworks.
- **Systemic Risk Management:**  
Develop regulations/ guidelines to manage systemic risk arising from active management in fixed term/return funds.
- **Minimum Investor count:**  
Introducing a minimum investor requirement for CIS/plans.



- **Valuation & Provisioning Framework:**

Review international best practices to revise existing framework for valuation and provisioning of debt securities.

- **Issuance of Blue Book:**

Issue Blue Book to provide guidance to Board regarding fiduciary and regulatory responsibilities.

## 4. EXCHANGE TRADED FUNDS (ETFs) AND GLOBAL TRENDS

Pakistan's Exchange-Traded Funds (ETF) market is expanding, with Assets Under Management (AUM) reaching PKR 1,811 million by 2025. Equity ETFs lead with PKR 1,232 million, while a fixed-income ETF holds PKR 579 million (figures as on March 31<sup>st</sup>, 2025). Despite a 7x growth in equity ETFs since 2021, liquidity remains limited, with an average daily traded volume of 0.76 million units and a high average expense ratio (TER) of 1.94%, lagging behind global benchmarks.

Across Asia-Pacific, ETFs have grown rapidly, driven by regulatory incentives, tax benefits, and innovative products. Australia and South Korea achieved fourfold AUM growth (2018–2023), while China and India integrated ETFs into public policy tools and privatization programs. Different jurisdictions are adopting different ways to increase market interest and investment in Exchange Traded Funds. Moreover, market participants in different jurisdictions employ ETFs in different

ways i.e., market behavior varies: Taiwan and Japan favor long-term holdings, whereas Korea and Hong Kong show higher turnover and short term trading.

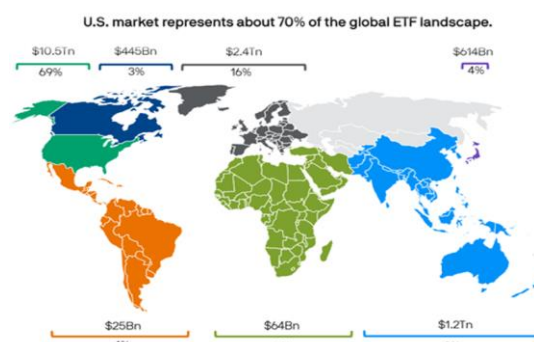


Figure 6 - ETF Market Size (Region wise)

Global trends highlight the value of collaboration between asset managers, market makers, and brokers to enhance liquidity and retail access.

Incentives like fee rebates, revenue-sharing, and regulatory waivers have fueled international growth. For Pakistan, adopting similar frameworks and diversifying into commodity and thematic ETFs will be key to deepening the market and boosting investor participation.

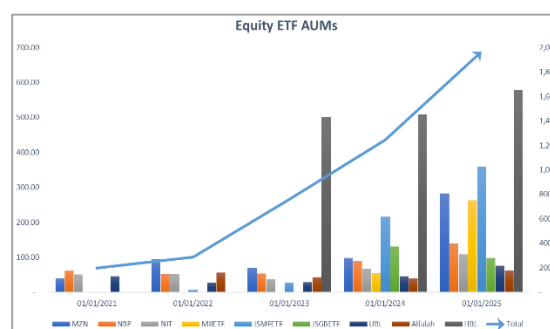


Figure 7 - ETF AUMs (Equity) for Period 2021-25

## REFORMS PROPOSED BY SECP:

To strengthen Pakistan's ETF market:

- Enhance collaboration between AMCs and brokers for product visibility and retail access.
- Introduce trading fee rebates, service fee waivers, and revenue-sharing arrangements with market makers and brokers, reduce listing and annual fees.
- Introduce commodity based and thematic ETFs.
- Incentivize institutional investors such as insurance companies and pension funds
- Conduct structured investor awareness campaigns as they are essential to attract retail participation and build market confidence.

### INDUSTRY FEEDBACK

- Improve liquidity and pricing by addressing the issue of high bid-ask spread in ETFs
- Lower barriers to ETF adoption by reducing the trading cost, including min. brokerage commission.
- Redesign the ETF purchase ecosystem by allowing AMCs to collect money from their clients and execute ETF transactions with the broker on their behalf through a collection account.

### WAY FORWARD

- Encourage market making-engage with PSX and other CMIs to provide incentive package to market makers including revenue sharing, reduction of charges and address any practical challenges to improve efficiency

- Connect the AMC and capital market ecosystems- facilitate mutual fund investors to invest in ETFs by providing linkages between AMCs, brokers and distributors through unified, API-enabled digital infrastructure. Explore concept of collection account.
- Constitute a joint working group comprising CMIs, securities brokers, and AMCs to review cost structure, propose liquidity enhancing mechanisms and address pricing inefficiencies.
- Launch investor awareness and education campaigns in collaboration with industry stakeholders to promote understanding and adoption of ETF products.

## 5. REIMAGINING THE MUTUAL FUNDS' DISTRIBUTION MODEL IN PAKISTAN

Pakistan's mutual fund distribution remains dominated by bank-affiliated asset managers, with limited retail focus and slow adoption of digital channels. Distribution options are narrow, with few independent advisors and underutilized platforms like EMLAAK Financials, restricting market access and investor participation.

International markets such as India, Brazil, and Indonesia offer valuable lessons through distributor aggregation platforms, independent advisor networks, and partnerships with non-traditional players. These models have effectively used technology and financial literacy

initiatives to broaden access and strengthen retail engagement.

To modernize the local model, the focus should be on expanding digital onboarding, improving distributor incentives, integrating centralized KYC systems, and standardizing transparent compensation structures. These reforms will help build a more inclusive, efficient, and investor-friendly distribution framework for Pakistan's mutual fund industry.

### **REFORMS PROPOSED BY SECP:**

The Securities and Exchange Commission of Pakistan (SECP) proposed the following reforms to improve distribution of Mutual Funds in Pakistan:

- Establish the use of Centralized Gateway Portal (CGP) to unify onboarding across investment channels with streamlined KYC (Know Your Customer), AML (Anti Money Laundering), and investor verification.
- Enhance digital platforms like EMLAAK and CKO by integrating payment and verification systems to broaden retail investor access.
- Standardize distributor compensation with fixed TER (Total Expense Ratio) charges, trailing commissions, and clear disclosures to ensure transparency.
- Introduce Dual-NAV (Net Assets Value) Model to address the distinct needs of direct and intermediary investors
- Expand market access by linking advisors to a centralized onboarding

system and mandate full disclosure of all fees.

### **INDUSTRY FEEDBACK**

- Boost financial awareness and inclusion by integrating investment education in curriculum.
- Increase exposure of women, youth and rural investors in Mutual Funds
- Allow distributors to charge fee directly from investors, subject to minimum fee thresholds.
- Strengthen distribution and financial inclusion at grassroot level which will increase retail penetration of Mutual Funds.
- Leverage technology for digital onboarding and streamlined KYC. Improve platform usability and define measurable targets for investor growth.
- Encourage swift onboarding for Sahulat accounts, relax Fit & Proper Criteria for distributors to encourage young professionals; and
- Permit industry to charge service fee like banks.

### **WAY FORWARD**

- Front-end load (FEL) is often viewed negatively by investors, as it immediately reduces their principal, requiring time just to break even before any potential gains, hence, the FEL model may be phased out and replaced with a trailing commission structure;

- AMC shall accrue trailing commission (instead of 3% FEL) on a daily basis on behalf of distributors:
  - a) Minimum 0.15% per annum for Equity, Asset Allocation, and Balanced Funds.
  - b) Minimum 0.10% per annum for all other funds, excluding ETFs and Funds of Funds.
- The entire accrued commission shall be distributed to the respective distributors in proportion to the tagged investments, for as long as the investor remains invested;
- The accrued commission, on daily basis shall be credited to the distributor in the form of new units of any scheme of their choice (for both Mutual Funds and Pension Funds);
- The cost of this commission shall be charged only to investors who open accounts through distributors. This will be incorporated in the NAV, applied to the net assets of a specific class of units created for distribution-linked investments.
- For investors who open account directly, distribution cost will not be applied and NAV will be different for class of units created for non-distribution linked investments.
- Promote and facilitate use of CGP and EMLAK and enhance their scope, integrate with payment systems to provide seamless user experience. Ensure connectivity of entire industry with CGP and include existing investors in Emlaak. Continuous review of CGP to make onboarding,

particularly of Sahulat accounts more user friendly.

- Increase awareness efforts, focus on white label campaigns to promote financial literacy
- Allow AMCs to open Sehl Accounts directly
- Review Verisys requirements to reduce costs
- Review entry requirements for distributors for reducing entry barriers for young professionals
- Review AML/CFT requirements for further clarity and addressing practical issues

## 6. MUTUAL FUNDS FOR WOMEN FINANCIAL INCLUSION

Although women make up nearly half of Pakistan's population, they account for only 27% of retail mutual fund investors and contribute a mere 10% to total assets under management (AUM). This stark disparity highlights a substantial gap in women's financial inclusion and empowerment. Structural and socio-cultural barriers including limited access to formal financial services, low levels of digital and financial literacy, trust and security concerns, restrictive gender norms, and male-dominated household financial decision-making continue to hinder women's meaningful participation in formal investment channels such as mutual funds.

Social perceptions of financial markets as risky and male-oriented further discourage women from participating.

These insights underscore the urgent need to address these systemic issues to unlock the untapped potential of female savers in Pakistan's economy.

### **REFORMS PROPOSED BY SECP:**

- Create products aligned with life goals (education, healthcare, marriage).
- Ensure cultural alignment (Shariah compliant funds).
- Develop women led distribution networks.
- Use mobile first platforms to overcome mobility and documentation barriers.
- Use Digital KYC & Micro-SIPs to reduce entry thresholds.
- Make use of Robo advisory and gamified interfaces to enhance engagement and customization.
- Systematic Investment Plans (SIPs)- can be positioned as a formal, regulated, and return-generating alternative to the committee system
- Collaborate with NGOs, microfinance institutions, and community groups to improve financial literacy, provide small investment loans, and deliver training in digital and financial skills.

### **INDUSTRY FEEDBACK**

- Conduct educational workshops for women.
- Design schemes tailored to women's financial goals.
- Empower women agents as they can connect better with women and encourage their financial inclusion.

### **WAY FORWARD**

- To drive women's financial inclusion, culturally relevant, including Shariah-compliant products should focus on life priorities like education, healthcare, and marriage.
- Encourage women-led distribution networks, digital onboarding and mobile first platforms.
- Promote SIPs which offer a regulated alternative to informal committees
- Encourage utilization of gamified interfaces and robo advisory to enhance engagement and customization.
- Partnerships with NGOs and microfinance institutions will be key to building financial literacy and expanding access to small investments and digital financial skills.
- Industry must lead implementation through goal-based products, women-led distribution network, and financial literacy partnerships with NGOs and community groups. SECP shall provide regulatory support wherever required.

## **7. ESG MUTUAL FUNDS**

Globally, ESG mutual funds are on track to surpass over USD 40 trillion in assets by the year 2030, reflecting growing demand for responsible and ethical investing. Pakistan has yet to tap this market, despite its potential to attract socially conscious investors and align with international standards. ESG funds can help draw foreign capital, support the country's commitments to climate goals

and the SDGs, and offer purpose-driven options to local investors.

Internationally, ESG mutual funds are now shaped by clear regulatory frameworks. Countries have set minimum investment thresholds, and disclosure standards to guide ESG fund operations:

In India, SEBI mandates 80% ESG allocation; 65% must follow BRSR Core with assurance. In Malaysia, MAS requires verifiable ESG fund disclosures (2023). Additionally, SRI funds must invest 66% in ESG-aligned assets. In the US and UK, ESG funds must respectively meet 80% and 70% investment thresholds tied to frameworks like the EU Taxonomy and SDGs.

### **REFORMS PROPOSED BY SECP:**

SECP has proposed:

- **Defined ESG Strategies:** Negative screening, integration, best-in-class, and impact investing; fund names must reflect strategy used.
- **Permissible Structures:** Open-end ESG Equity Funds and ESG Debt Funds
- **Minimum ESG Allocation:** Min. 50% AUM must follow declared ESG strategy; 70% of AUM must be in ESG-compliant securities (equity or debt); 10% liquidity requirement
- **Exposure Restrictions:** no exposure to "red"-flagged companies under Green Taxonomy.
- **Voting and Stewardship:** Mandatory disclosure of all voting rationale for ESG equity schemes, with quarterly and annual transparency.

- **ESG Rating Providers (ERPs):** SECP to accredit ERPs and develop a standardized ESG scoring framework (overall & pillar-wise), to be updated annually.
- **Monthly ESG Score Disclosure:** Fund-wise security-level ESG scores and rating agency names must be disclosed in monthly FMRs.
- **Annual Manager Commentary:** Must explain ESG integration, engagement efforts, portfolio ESG score trends, and exposure to non-disclosing entities.

These steps aim to mobilize capital toward sustainable development, reduce greenwashing, ensuring comparability, attract foreign investments seeking green and socially responsible opportunities in emerging markets and position Pakistan as a regional ESG finance hub. Improved transparency and structured disclosures will also support market credibility and investor awareness.

### **INDUSTRY FEEDBACK**

- Mobilize private sector capital for ESG.
- Collaborate with educational institutions for ESG awareness.
- Strengthen ESG disclosure and adoption by mandating S1 and S2 disclosures.

### **WAY FORWARD**

- Establish a dedicated regulatory framework for ESG Mutual Funds in Pakistan to formalize ESG investing and ensure alignment with



international standards. Furthermore, improve disclosure standards.

- Introduce a structured framework to enable SECP-registered credit rating companies to operate as ESG Rating Providers (ERPs), thereby expanding their scope to include ESG scoring and benchmarking.

## 8. SYSTEMATIC INVESTMENT PLANS

Systematic Investment Plans (SIPs) enable individuals to invest fixed amounts at regular intervals. This disciplined, long-term approach promotes consistency saving and harnesses the power of compounding, making investing accessible to small investors.

SIPs are simple, automated, and cost-effective. Integration with digital platforms especially RAAST P2M allows instant, secure, and free of cost transfers. Auto-debit options reduce friction, and the waiver of Front End Load is recommended due to self-initiated payments.

RAAST's real time settlement and Request to Pay features further enhance convenience and security. These tools eliminate manual steps, reduce third-party risks, and improve operational efficiency for both AMC's and investors.

Ideal for salaried workers, retirees, students, homemakers, and freelancers, SIPs are accessible through AMC apps, digital portals like EMLAAK, and financial advisors, broadening participation.

SIPs provide AMC's an opportunity to tap into untapped markets. They encourage a shift from informal savings (e.g., Bachat Committees) to professionally managed funds, promoting financial inclusion.

India's ₹26,632 crore monthly SIP contributions (April 2025) highlight strong digital-led retail participation and offer a model for similar growth.

### REFORMS PROPOSED BY SECP:

SECP has recommended the following steps to increase the adoption of SIPs in Pakistan:

- Promote SIPs as formal alternatives to informal savings.
- Leverage digital infrastructure like RAAST and mobile apps.
- Educate retail investors to build trust and engagement.
- Remove FEL to encourage automated, recurring investments.
- Tailor strategies using global best practices.

### INDUSTRY FEEDBACK

- Launch national level campaigns to normalize and encourage long term saving habit.
- Increase transaction ceilings of RAAST to support meaningful contributions.
- Implement pull based payment features without requiring app-based action. (Direct Debit Service)
- Create bundled products to add value e.g., bundle SIPs with Takaful.

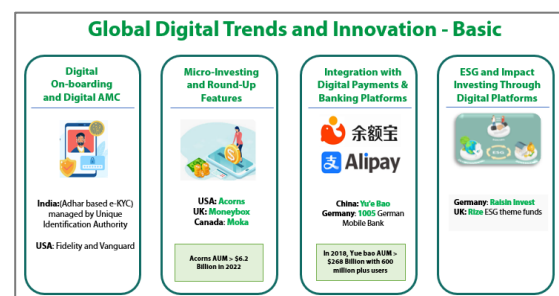
## WAY FORWARD

- Formal launching of RAAST P2M by SBP.
- Remove Front End Load for SIP products.
- Facilitate Integration of AMCs with RAAST to utilize the RAAST P2M facility to offer SIPs to investors
- Continue engagement with central bank for addressing any concerns
- Provide regulatory support for bundled products
- Make SIP a fundamental component of awareness campaigns

## 9. DIGITAL TRANSFORMATION

Pakistan's mutual fund industry stands at a crucial juncture where digital transformation is not just an option but a necessity. Across the globe, countries like the United States, China, India, Malaysia, and the United Kingdom have embraced innovation to revolutionize how people invest.

Robo-advisory platforms, algorithm-based portfolio management, zero-commission investment apps, and blockchain-driven tokenization have made investing easier, more transparent, and more inclusive. These global models have shown that success lies in offering user-centric platforms, seamless onboarding, dynamic investment frameworks, and wide-reaching digital access all tailored to a mobile-first generation of investors.



## REFORMS PROPOSED BY SECP

- Focus on an integrated, investor-first ecosystem through digital onboarding for all AMCs, API-based fund portability, brokerage access within mutual fund apps, link fintechs, e-wallets, e-commerce.
- Introduce tools like gamified savings, micro-investing, digital SIPs.
- Use robo-advisory and blockchain for compliance, transparency, fractional ownership.
- Aim for an inclusive, efficient, fully digital investment ecosystem.

## INDUSTRY FEEDBACK

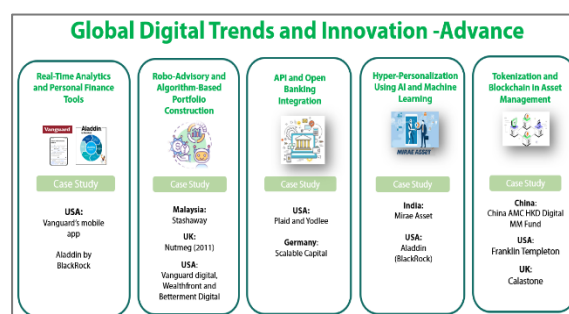
- Prioritize digitalization despite initial costs to achieve greater cost efficiency

## WAY FORWARD

- Introduction of a dedicated regulatory framework for fully digital Asset Management Companies (Digital AMCs),
- enabling API-based integration between Securities Brokers and AMCs to ensure seamless investor access,
- extending regulatory support to innovative, technology-driven solutions aimed at expanding retail investor participation.

## Mutual Funds For Masses – Focus Group 2025

- Facilitate the effective use of the Centralized Gateway Portal (CGP), and foster integration and collaboration with telecom operators and e-commerce platforms to transform product distribution channels and modernize the overall market structure. Provide regulatory support for above measures



## CONCLUSION:




Pakistan's mutual funds industry stands at a critical inflection point. Unlocking its full potential requires a modern, responsive regulatory framework that supports innovation while safeguarding investor interests. This paper distills key takeaways from focused stakeholder engagement and offers targeted and actionable recommendations to address structural gaps and enhance market integrity. Snapshots of the presentations are annexed as Annexure A. This report is intended as a practical roadmap for regulator and industry participants to collaboratively steer the sector toward greater resilience, inclusivity, and long-term growth, in line with the evolving landscape of the country's capital markets.


## Annexure-A

### Industry Snapshot and Evolution

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## Ongoing Global Changes In The Industry

 <p><b>Passive Funds</b></p> <ul style="list-style-type: none"> <li>▪ Lower cost</li> <li>▪ Market Matching Returns</li> <li>▪ Simplicity &amp; transparency</li> <li>▪ Better Liquidity (ETFs)</li> <li>▪ <b>Passive Funds: \$15 Trillion</b></li> <li>▪ <b>Active Funds: \$14 Trillion</b></li> </ul>	 <p><b>Alternative Investments</b></p> <ul style="list-style-type: none"> <li>▪ Hedge against volatility and inflation</li> <li>▪ Possibility of higher returns</li> <li>▪ Thematic alternatives for conscious investors</li> <li>▪ <b>AIF AUMs : \$13 Trillion</b></li> <li>▪ <b>By 2032: \$26 Trillion</b></li> <li>▪ <b>CAGR: 9%</b></li> </ul>	 <p><b>ESG Investments</b></p> <ul style="list-style-type: none"> <li>▪ Growing concern about Environment, Sustainability and Governance</li> <li>▪ Huge growth potential</li> <li>▪ <b>ESG Investing: \$30 Trillion</b></li> <li>▪ <b>By 2032: \$130 Trillion</b></li> <li>▪ <b>CAGR: 17.31%</b></li> </ul>	 <p><b>Technology Integration</b></p> <ul style="list-style-type: none"> <li>▪ PwC: 60% asset managers are considering adopting big data and AI</li> <li>▪ Personalization at scale</li> <li>▪ Shift from product centric to client centric models</li> </ul>
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## Fund Managers' Response Globally

 <p><b>Product Innovation</b></p> <ul style="list-style-type: none"> <li>▪ Rise in Thematic Funds</li> <li>▪ ESG Funds Proliferation</li> <li>▪ Target Date Funds</li> <li>▪ Non-traditional index tracking funds</li> <li>▪ Multi Asset Funds</li> <li>▪ Tokenized mutual funds</li> <li>▪ Machine learning for portfolio optimization and prediction</li> </ul>	 <p><b>Customized Solutions</b></p> <ul style="list-style-type: none"> <li>▪ Modular Investment (custom fund mix)</li> <li>▪ Goal based asset allocation</li> <li>▪ Direct Indexing (replicate an index + customize it)</li> </ul>	 <p><b>Cost Management and Efficiency</b></p> <ul style="list-style-type: none"> <li>▪ Process Automation (RPA)</li> <li>▪ Cloud Migration</li> <li>▪ Outsourcing Non Core Functions</li> </ul>
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## ESG Mutual Funds in Pakistan


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### Why ESG Mutual Funds?




**Rising Demand**

Global AUM in ESG funds exceeds USD 40 trillion; Pakistan has yet to tap this segment.




**Alignment with Goals**

Supports Pakistan's commitments to SDGs, climate agreements, and green finance.




**Investor Demand**

Appeals to socially conscious investors seeking ethical, transparent, and purpose-driven investment options.



**Attracting Global Capital**

ESG labeling and disclosures align Pakistan with standards sought by foreign investors and ESG-aligned sovereign wealth funds.

  
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### Global Best Practices



**India**

- SEBI-defined ESG category
- **80% AUM** ESG-aligned
- Mandatory BRSR reporting
- SEBI-registered ESG raters

✓ 10 ESG Funds as of 2025 with AUM of 10.3 billion USD

✓ Example: ICICI Prudential ESG Fund



**Malaysia**

- SC SRI fund framework
- **66% (2/3<sup>rd</sup>)** ESG-aligned assets
- Sustainability report disclosures

✓ 70 SRI Funds till Jan, 2025

✓ Example: Lion Global ESG Impact Fund



**Singapore**

- MAS ESG fund rules
- Flexible ESG allocation with defined categories
- Substantiated disclosures required
- Annual strategy reviews.

✓ Example: Principal Islamic Global Integration ESG Fund



**USA and UK**

- SEC defined ESG categories
- US SEC requires **80%** whereas FCA requires **70%** of the funds' AUM to align with its objective
- TCFD/SASB-aligned disclosures

✓ More than 600 in US

✓ Example: BlackRock U.S. Carbon Transition Readiness ETF

  
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## Liquidity Reforms – Norms Across Jurisdictions

Policy			United States	India	Malaysia	Pakistan
Minimum Requirements	Liquid Asset		No hard %, but liquidity profile must allow prompt redemptions	Min 10% liquid assets for varied categories open-ended debt schemes	No fixed %, but must meet redemption demands under normal conditions	Min 10% cash and near cash requirement for debt oriented schemes
Stress Testing			Required under liquidity risk management program	Monthly stress testing mandatory for most debt funds	Encouraged via risk policy but not strictly enforced	Required for MMFs and income funds
Redemption Tools	Management		Swing pricing, redemption gates, and in-kind allowed	Side pockets, swing pricing, gating allowed in select scenarios	Swing pricing allowed; side pockets not permitted	Applicability of Contingent Load in case of fixed maturity funds.
Disclosures and Transparency			Form N-PORT filings; detailed asset classification public	Monthly factsheets, SID/KIM mandatory disclosures	Prospectus, semi-annual reports, top 10 holdings disclosed	Fund Manager Reports, NAVs, and holdings published
Sector Exposure Cap			Not formally capped, but disclosed in prospectus	Max 20% per sector; 10% more for HFCs	No fixed sector cap; HFCs and repo monitored	Max 25% of Net Assets in a single sector
Illiquid Asset Cap			Max 15% of NAV in illiquid securities	Max 15% of NAV	Max 15% of NAV	Max 15%; excess marked at zero value
Leverage and Limits	Derivatives		Derivatives capped via VaR test; 300% asset coverage	VaR-based limits for derivatives; 100% cover required	No leverage; strict rules on reverse repo maturity	Not Allowed and Covered under the Prevalent Framework
Credit Quality Restrictions			Must meet credit quality under SEC & rating norms	Instruments must be A- or better	Credit rating rules apply for MMF and debt schemes	Rating requirements have been specified for different categories of CIS




## Liquidity Reforms – Global Norms And Practices

Board Structure	<ul style="list-style-type: none"> <li>U.S. (SEC, Investment Company Act 1940): Minimum 75% of mutual fund board members must be independent.</li> <li>India (SEBI): Trustees must act independently of AMC management; directors of AMCs have fiduciary duties to investors.</li> <li>Malaysia: At least 1/3 of the board must be independent; oversight roles are explicitly defined.</li> </ul>
	<p><b>Pakistan:</b> Code of Corporate Governance, 2019. At least 2 or one third of the board must be independent.</p>
Fiduciary Duty	<ul style="list-style-type: none"> <li>UK (FCA Stewardship Code), Japan, India, South Africa: Asset managers must act as <b>stewards of investor capital</b>, not just portfolio managers.</li> <li>Ethical codes encourage responsible voting, ESG integration, and long-termism.</li> </ul>
	<p><b>Pakistan:</b> Code of conduct for MUFAP, Exhaustive list of fiduciary responsibilities in Regulation 38, requirement of board approved Stewardship and Proxy voting Policies.</p>
Mandatory Disclosures	<ul style="list-style-type: none"> <li>NAV Disclosure: Daily across all jurisdictions.</li> <li>Expense Disclosure: Total Expense Ratio (TER), soft commissions, performance fees, broken down by plan (Direct/Regular).</li> <li>Benchmark Comparison: Required with historical performance and risk-adjusted returns.</li> </ul>
	<p><b>Pakistan:</b> NAV, benchmark and peer group returns, Actual expense charged, risk metrics, asset holding etc.</p>
Conflict of Interest	<ul style="list-style-type: none"> <li>Prohibited Transactions: Related-party lending, cross-fund trades without board/trustee approval.</li> <li>Soft-Dollar Limits: Must directly benefit the fund; indirect benefits disallowed (e.g., gifts or entertainment).</li> <li>Disclosure of Broker Commissions: Required in reports (India, Malaysia, U.S.).</li> </ul>
	<p><b>Pakistan:</b> Regulatory Chinese wall between Fund Management and Lending NBFCs, Board approved policies on, conflict of interest, management fee sharing, trading by employees &amp; allowable licenses.</p>
Transparent Valuation	<ul style="list-style-type: none"> <li>Fair Value Policies: Illiquid/unquoted instruments must be valued under prescribed methodologies.</li> <li>Oversight: Valuation methods must be approved by trustees or independent valuation committees.</li> <li>Mark-to-Market Accounting: Used universally to prevent NAV manipulation.</li> </ul>
	<p><b>Pakistan:</b> Circular 1 &amp; 2 of 2009 detail valuation methodology and provisioning criteria for debt securities. Industry consultation in process for revamping the existing framework..</p>
Whistle-blower Protections	<ul style="list-style-type: none"> <li>U.S.: SEC's whistle-blower program offers financial incentives and anonymity.</li> <li>UK &amp; Singapore: Encourage internal whistleblowing via audit or ethics committees.</li> </ul>
	<p><b>Pakistan:</b> Whistle blower protection is being addressed through MUFAP Code of Conduct.</p>
Investor Grievance Redressal	<ul style="list-style-type: none"> <li>Ombudsman or SEBI SCORES (India), SEC Complaint Center (U.S.)</li> <li>Funds must display redressal contact info on websites and reports.</li> </ul>
	<p><b>Pakistan:</b> Dedicated portal by SECP.</p>
Code of Conduct for Intermediaries	<ul style="list-style-type: none"> <li>Distributors and advisors must follow conduct guidelines: <ul style="list-style-type: none"> <li>Avoid mis-selling</li> <li>Disclose commissions and trail income</li> <li>Suitability matching based on risk profiling</li> </ul> </li> </ul>
	<p><b>Pakistan:</b> MUFAP Code of conduct applicable to Investment Advisors, distributors and AMCs.</p>


## Women's Inclusion in Mutual Funds

### Social and Cultural Factors Influencing Women's Investment



**Limited Financial Inclusion**


Only ~7% of women in Pakistan reportedly have access to formal savings or investment products (World Bank Findex).



**Cultural Norms**

Financial decisions in many households remain male-dominated, limiting women's autonomy to invest.


Mobility restrictions.



**Knowledge Gap**

Limited digital literacy

Lack of awareness about capital market products, especially mutual funds.




**Trust and Security Concerns**

Women often perceive financial markets as risky, male-centric, and opaque.

Peer influence from traditional savings practices

✓ Without addressing these structural and cultural barriers, the potential to tap into Pakistan's female savings base will remain underutilized




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## Global Study of ETFs - Key Outcomes

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### A.1 Growth in Assets under Management (AUMs)

India	Australia	South Korea	Taiwan	China
<b>Fact (2017-23)</b> <ul style="list-style-type: none"> <li>AUM USD 73 Billion</li> <li>Growth rate 10x</li> <li>&gt; 160 Listed ETFs</li> </ul>	<b>Fact (2018-23)</b> <ul style="list-style-type: none"> <li>AUM USD 110 Billion</li> <li>Growth rate 4x</li> <li>over 1.5 million investors</li> <li>&gt; 300 listed ETF</li> </ul>	<b>Fact (2018-23)</b> <ul style="list-style-type: none"> <li>AUM USD 93 Billion</li> <li>Growth rate 4x</li> <li>&gt;700 listed ETFs</li> </ul>	<b>Fact (2018-23)</b> <ul style="list-style-type: none"> <li>AUM USD 97 Billion</li> <li>Growth rate ~4x</li> <li>Nearly 340 listed ETFs</li> <li>&gt; 6.5 million investor</li> </ul>	<b>Fact (2018-23)</b> <ul style="list-style-type: none"> <li>AUM USD 226 Billion</li> <li>Growth rate ~3x</li> <li>&gt; 750 listed ETFs</li> <li>&gt; investor</li> </ul>
<b>Primary factor</b> <ul style="list-style-type: none"> <li>Government and Regulatory Support - Divestment</li> </ul>	<b>Primary factor</b> <ul style="list-style-type: none"> <li>Dual Access Model – transition from Active MF to Active ETF</li> </ul>	<b>Primary factor</b> <ul style="list-style-type: none"> <li>Investors prefer ETF: 2x and 3x L &amp; I ETFs</li> <li>lower Securities Transaction Tax and Capital Gains Tax for ETFs, both set at 0.25%</li> </ul>	<b>Primary factor</b> <ul style="list-style-type: none"> <li>Incentives to Market Makers</li> <li>launch of L&amp;I products in 2014</li> </ul>	<b>Primary factor</b> <ul style="list-style-type: none"> <li>Use of ETFs to support national strategic economic industries.</li> <li>Investor Behavior</li> </ul>

  
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### V. Key Outcome of Global ETF Study

Australia	India	Mainland China	United States	Malaysia
<ol style="list-style-type: none"> <li>Rebate equivalent to trading fee to ASX. (Market Maker)</li> <li>Wide Distribution Channels provided by Independent FA</li> <li>Regulatory &amp; Govt. Support               <ul style="list-style-type: none"> <li>Dual Access Model: Fidelity Australian Equities Fund</li> <li>Banning volume-based commissions for financial advisors.</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>ETF used to Public Enterprise Divestment Tool ~ \$7.1 Trillion (CPSE ETF)</li> <li>Mandatory multiple Market Makers to boost Liquidity</li> <li>Regulatory &amp; Govt. Support:               <ul style="list-style-type: none"> <li>Investment by EPFO and Insurance Cos.</li> <li>Issuance of Bharat Bond ETF</li> </ul> </li> <li>Zeroth offer zero-commission ETF trading</li> </ol>	<ol style="list-style-type: none"> <li>Economic Policy Revolution: STAR Market 50 Index ETFs</li> <li>Stabilize market volatility: Central Huijin Investment</li> <li>Promotion through lower/ waiver of listing &amp; Annual fee: Issuers of ETFs tracking national strategic indices (e.g. STAR 50 Index, SSE 180)</li> </ol>	<ol style="list-style-type: none"> <li>Product Innovation               <ul style="list-style-type: none"> <li>ARK Innovation ETF (65% in Disruptive tech cos.)   iShares MSCI ESG ETFs in Sustainable assets</li> </ul> </li> <li>Monetary Policy transmission tool (Fed launched SMCCF)</li> </ol> <p><b>Hongkong</b></p> <ol style="list-style-type: none"> <li>New spread tables and the waiver of stamp duties for Market Makers (est. cost savings up to HK \$825 Mln for investors)</li> <li>ETF Connect allows cross border capital follows.</li> </ol>	<ol style="list-style-type: none"> <li>Introd. Framework for Leverage and Inverse ETFs</li> <li>Shariah Compliant theme-based products like gold, Tech, ESG</li> <li>Use ETF as effective building blocks for robo-advisory and retail access: Stashaway</li> </ol>


Access & Availability

Regulatory Support

Product Innovation

Liquidity & Resilience

Investor Awareness

  
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## Global Study of ETFs

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### Market Maker Role in ETF Growth

**Revenue Sharing Arrangement, US**

**Mode:**  
Broker's platform is used to enhance visibility and promotion of product in return of share in portion of the ETF management fee revenues of AMC.

**Use Case:** iShare - Fidelity Investments.

Metric	Pre-Deal (2017)	Post-Deal (2021)
iShares Global AUM	~\$1.75 trillion	~\$3.4 trillion
Fidelity ETF Assets	~\$150 billion	~\$800+ billion
Commission-Free ETFs (Fidelity)	~85 ETFs	240+ iShares ETFs
Retail ETF Adoption (Fidelity)	Moderate	Significant ↑

**Trailing fee – CN, HK and MY**

**Mode:**  
Ongoing commission incentive paid by the ETF issuer to intermediaries (like brokers, banks, or market makers) to promote, distribute, and provide liquidity for ETFs.

**Use Case**  
CSI 300 ETFs often pay market makers a fee tied to trading volume or liquidity provided (CN).

**Fee Rebates & Exemption -**

**Mode:** Trading fee rebates and business service fee waivers including listing fee.

**Use Case:**


- Tokyo Stock Exchange
- Taiwan Stock Exchange
- Australian Securities Exchange
- Bursa Mal

Increase Liquidity

Product Visibility

Retail Penetration

Tighter spread




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### ETF Cost Structure – Pricing

Country	Expense Ratio (TER)	Management Fee	Commission Fee (Buy/Sell)	Other Costs / Notes
Australia	0.10% – 0.75%	0.05% – 0.50%	0.05% – 0.20%	ASX listing fees, audit, custody, legal costs
Hong Kong	0.05% – 1.00%	0.03% – 0.75%	0.10% – 0.25%	SFC fee, SEHK trading fee, stamp duty exemption for ETFs
India	0.05% – 1.00%	0.01% – 0.75%	0.10% – 0.50%	SEBI limits TER; GST may apply on services
Japan	0.15% – 0.50%	0.10% – 0.30%	0.10% – 0.50%	Trust fee, custody fees, exchange fee
Malaysia	0.08% – 1.09%	0.15% – 0.75%	0.10% – 0.25%	Trustee fee (~0.08%), SC fee, stamp duty exemption on ETFs
S. Korea	0.20% – 0.70%	0.10% – 0.50%	0.15% – 0.30%	Exchange transaction tax, trust/custody fee
Taiwan	0.10% – 0.80%	0.05% – 0.50%	0.10%	Business tax (0.1%), trading fee (0.1425%)
USA	0.41% – 0.52%	0.01% – 0.50%	USD 0 – 9.95 per trade (Retail is 0, dep.on broker)	SEC fee, bid/ask spread, zero-commission brokers common

Pakistan Average TER 1.94%



## Distribution Model – International Benchmarking

	Malaysia	India	Singapore	Turkey	Indonesia	Hong Kong	Pakistan
<b>Model</b>	Banks act as main distributors	Banks, IFAs	Banks act as main distributors	Banks act as main distributors	Banks act as main distributors	Banks act as main distributors	Banks and AMCs Sales Teams
<b>Front end load sharing</b>	Yes	Front end load is prohibited. Upfront commission by AMC to distributors	Yes	Yes	Yes	Yes (~80 % of it)	Yes
<b>Management Fee sharing</b>	Yes	No	Yes	Yes	Yes	Yes (~ 50% of MF)	Yes
<b>TER portion sharing</b>	Yes	Yes (Trail Commission charged to TER)	Yes (Optional)	No	Possible; not common	No	No
<b>Payment in cash or in kind</b>	In Cash	In cash	In Cash	In Cash	In cash & In Kind	In cash & In Kind	In cash & In Kind
<b>Success Story</b>	Fundsupermart & FSMOne	Mutual Funds Sahi Hai  Mutual Fund Utility <b>Groww, Zerodha Coin, and Paytm Money</b>	DBS Bank. Fee based distribution platform (DigiBank) for mutual funds	Yapi Kredi AMC Multi-channel distribution	Mandiri AMC – good commissions and trainings for distributors	HSBC AMC Good distributor network and low fees. Ongoing incentives for distributors	Faysal – Easypaisa Al-Meezan – JazzCash JS Investments – Zindagi App
<b># of AUMs</b>	\$ 227 B	\$ 797.87 B	\$ 3,700 B	-	\$ 55.5 B	\$ 214 B	\$ 12 B

## Savings and Investor base

### Gross Domestic Savings

	2021	2022	2023
Bangladesh	25.3	25.2	25.8
India	28.6	28.4	29.3
Sri Lanka	29.3	25.0	23.8
Malaysia	29.4	30.8	27.6
Pakistan	5.6	3.6	6.5

### Investor Base among Countries

Pakistan	Investor base	% to total Population
Capital Market	420,000	0.175% to total population
Mutual Funds	620,000	0.26% to total population
USA	>50% of households invest in mutual funds	
Malaysia	>40% have exposure to unit trusts	
India	8–9% of the population in mutual funds and equities	

**Annexure – B**

<b>Task</b>	<b>Description</b>	<b>Timeline</b>
Regulatory amendments for Infrastructure REITs	Amend the existing regulations or issue new regulations for Infrastructure REITs for public consultation	September 30, 2025
Introduce distinct category for Infrastructure mutual funds	Issue circular for recognizing Infrastructure mutual funds as a distinct class with parameters	August 31, 2025
Market Development Fund	Introduction of regulatory framework for Market Development Fund with the objective of enhancing retail penetration in mutual funds through white label awareness campaigns and investor education.	September 30, 2025
MUFAP as Self-Regulatory Organization	Registration of MUFAP as a Self-Regulatory Organization (SRO) to promote self-regulation and enhance industry oversight.  MUFAP's complete functioning as a Self-Regulatory Organization	August 1, 2025  December 31, 2025
Facilitating the consolidation and digital enablement of current and prospective outsourced functions by AMCs to optimize efficiency and reduce costs	Study by MUFAP to explore potential consolidation and outsourcing of back office accounting functions of AMCs through digital solutions to improve cost efficiency and reduce financial burden.	September 30, 2025
Liquidity reforms, Governance and Transparency	Issue concept paper and regulatory amendments/draft circulars for following: <ul style="list-style-type: none"> <li>• Instrument based credit rating instead of issuer rating</li> <li>• Revisit Equity Fund exposure caps</li> <li>• Revisit Debt Fund exposure limits to introduce dynamic limits</li> <li>• Introduce high Risk category to allow exposure in derivatives</li> <li>• Increase ETF exposure limits</li> <li>• Reduce minimum cash requirements in Income and Money Market Funds</li> <li>• Reduce redemption period</li> <li>• Introduce swing pricing</li> <li>• Mandating Board approved liquidity management policy and stress testing framework</li> <li>• Introduce minimum number of investors for investment plans</li> <li>• Revisit framework for valuation and provisioning in respect of debt securities</li> <li>• Issue Blue Book to guide Board regarding fiduciary and regulatory roles and responsibilities</li> <li>• Revisit active management within fixed term/return funds.</li> <li>• allow a higher prudential limit for investing in listed Sukuk as compared to unlisted Sukuk</li> </ul>	November 30, 2025



Reforms for ETF	<p>Constitute a committee of PSX, MUFAP and brokers to deliberate and propose measures for following:</p> <ul style="list-style-type: none"> <li>• Incentive package for market making/brokers</li> <li>• Structural and regulatory reforms required to enable connectivity between AMCs and brokers</li> <li>• Cost reductions</li> <li>• Explore framework for active and commodity based ETFs</li> <li>• Devise regulations for composition, index formation, rebalancing, market making etc. for debt based ETF</li> </ul> <p>Make ETF a central component of awareness efforts</p>	<p>Form committee: August 5, 2025</p> <p>Report of Committee September 15, 2025</p> <p>Regulatory reforms: November 15, 2025</p> <p>ongoing</p>
Reforms for Distribution Model	<p>Issue regulatory amendments/ circulars for following:</p> <ul style="list-style-type: none"> <li>• Phasing out Front End Load</li> <li>• Minimum trailing commission for distributors</li> <li>• Dual NAV concept</li> <li>• Relaxing entry requirements for distributors</li> <li>• Allow AMCs to open Sehl Accounts directly</li> <li>• Review Verisys requirements to reduce costs to open account</li> </ul> <p>Increase scope of EMLAAK to include existing investors</p> <p>Promote use of CGP and ensure connectivity of entire industry</p> <p>Review KYC/CDD requirements for any further clarity and addressing practical issues</p>	<p>Issue regulations for public consultation: September 15, 2025</p> <p>Issue final Regulations: October 30, 2025</p> <p>December 31, 2025</p> <p>ongoing</p> <p>October 30, 2025</p>
Regulatory reforms for ESG Funds	<p>Introduce dedicated regulatory framework for ESG Mutual Funds</p> <p>Introduce structured framework to enable SECP-registered credit rating companies to operate as ESG Rating Providers (ERPs)</p>	December 31, 2025
Financial Inclusion	<p>Coordinate with industry for offering culturally relevant, life priority-based products</p> <p>Encourage utilization of gamification and mobile first platforms</p> <p>Encourage partnership with NGOs and microfinance institutions</p> <p>Regulatory support wherever required</p>	ongoing
Systemic Investment Plans	Issue Regulatory amendments/ draft circular for removing Front end load for SIPs	<p>August 30, 2025</p> <p>Ongoing</p>

	Continue engagement with central bank for addressing any practical concerns of industry, including the Pull functionality in RAAST	Ongoing
	Create awareness and provide regulatory support for bundled product-engage with Insurance Department	Ongoing
	Make SIP a fundamental component of awareness campaigns	
Digitization	Introduce framework for Digital AMCs	July 30, 2025
	Create awareness and provide regulatory support for integration with e-commerce platforms, Telcos, innovative products	Ongoing