

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, 15th January, 2025

NOTIFICATION

S.R.O.22(I)/2025.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan hereby makes the following amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the same is hereby published for information of all persons likely to be affected and notice is hereby given that comments, if any, received by the Commission within fourteen days from the date of placement of the draft amendments on the website of the Commission will be taken in to consideration, namely:-

AMENDMENTS

In the aforesaid Regulations, -

(1) In regulation 2,-

(a) in sub-regulation (1), after clause (xli), the following new clause shall be added, namely: -

“(xlia) “Shariah Compliant Scheme” means Collective Investment Scheme that has been declared Shariah-compliant under the Companies Act, 2017 read with the Shariah Governance Regulations, 2023;”

(b) in sub-regulation (2), after the expression “Securities Act, 2015,” the expression “the Companies Act, 2017,” shall be inserted;

(2) in regulation 37,-

(a) in sub-regulation (6), after the expression “Asset Management Company shall” for the expression “appoint a Shariah Advisor” the expression “obtain Shariah compliance certificate as per the requirements of Companies Act, 2017 and the Shariah Governance Regulations, 2023”, shall be substituted;

(b) after the sub-regulation (6), for the full stop a colon shall be substituted and thereafter the following new proviso shall be inserted, namely: -

“Provided that all existing Shariah Compliant schemes shall fulfil the above requirement within six months.”;

(c) after sub-regulation (6) and first proviso, the following new sub-regulation shall be inserted, namely: -

“(6A) Asset Management Company shall ensure that all new and supplemental Constitutive Documents are in line with the clauses prescribed under Schedule III, IV, VII and VIII relating to Shariah compliance.

Provided that Asset Management Company shall amend existing constitutive documents within such time as specified by the Commission.”;

- (d) in sub-regulation (7) for clause (l), for the expression "shares" the expression “units” shall be substituted;

(3) in regulation 38,

- (a) in sub-regulation (1), after clause (a), a new sub-clause shall be inserted, namely:-

“(ab) pay such sum from its remuneration without passing to investors, as per the mechanism specified by the Commission as Market Development Charges aimed at investor education, awareness and market development activities of mutual fund and pension funds.”

- (b) in sub-regulation (2), in clause (a), after sub-clause (ac), a new sub-clause shall be inserted, namely:-

“(ad) In the case of the Shariah-Compliant Scheme, ensure ongoing Shariah compliance and comply with the conditions of certification of Shariah compliance under the Shariah Governance Regulations, 2023.

Provided that the existing Shariah Compliant Schemes shall comply with the conditions of certification of Shariah compliance under the Shariah Governance Regulations, 2023 within six months.”;

(4) in regulation 41, after clause (p) the following new clause shall be inserted, namely:-

“(pa) pay such sum as may be specified by the Commission as Market Development Charges aimed at investor education, awareness and market development activities of mutual fund and pension funds”;

(5) in regulation 60, -

- (a) the sub-regulation (5) the following shall be substituted, namely:-

“(5) The following Management Fee caps for a Collective Investment Scheme shall be applicable, calculated on a per annum basis of the average daily net assets, effective from April 01, 2025:

- (a) Equity Schemes up to 3.00%;
- (b) Income/Aggressive Income Schemes & Commodities (Deliverable and Cash Settled) Schemes up to 1.50%;
- (c) Money Market Schemes up to 1.00%; and
- (d) Fixed Rate/Return, Exchange Traded Fund and Index Schemes up to 0.50%:

Provided that in case of hybrid schemes, the Asset Management Company shall use a weighted average approach based on respective allocation of net assets to determine the Management Fee Caps:

Provided further that the Asset Management Company shall not charge a management fee if the Fund of Funds invests in underlying schemes managed by the same Asset Management Company.

Explanation: For the purpose of sub-regulation (5), any costs related to government levies on the charging of management fees shall be excluded when calculating the management fee for compliance with the prescribed regulatory caps. However, for Total Expense Ratio disclosure to unit holders, all costs, including taxes, shall be fully disclosed.”;

(b) in sub-regulation (6), for clause (i) the following shall be substituted, namely: -

“(i) total expense ratio shall be made as per the following format;

M.F	Regulatory Fee	Trustee Fee	Levies and Taxes	Other Expenses	Total TER with levies	Total TER without levies
a %	b %	c %	d %	e %	(a+b+c+d+e)%	(a+b+c+e)%

(c) in sub-regulation (6), clause (iii) the following shall be substituted namely:-

“(iii) portfolio turnover frequency in the fund”;

(6) in regulation 64, after the expression “net asset value of” for expression "securities" the expression “units” shall be substituted;

(7) in regulation 66A, after clause (b) the following new clause shall be added, namely:-

“(ba) The Asset Management Company, following the execution of a written agreement with the distributors, is obligated to disclose the list of its distributors on all of its digital platforms, including its website.”;

(8) in regulation 67G, -

(a) for sub-regulation (1) the following shall be substituted, :-

“Management Fee Cap.- (1) The Management Fee of a pension fund shall be capped as follow-

- (a) Equity Sub-Fund up to 2.00%;
- (b) Money Market up to 1.00%;
- (c) Income fund up to 1.25% and
- (d) Commodity (Cash Settled & Deliverable) fund up to 1.5%.

Provided that in case of employer pension fund, the management fee cap and/or the total expense ratio of a pension fund shall be as per the agreement between employer and pension fund manager and shall be disclosed in the offering document.”;

(b) for sub-regulation (2), the following shall be substituted, namely:-
 “The cost incurred in relation to any government levy on the charging of management fees shall be excluded when calculating the management fee for compliance with the prescribed regulatory caps. However, for Total Expense Ratio disclosure to unit holders, all costs, including taxes, shall be fully disclosed.”

(c) for sub-regulation (3) the following shall be substituted, namely:-

“A Pension Fund Manager may charge the eligible expenses as given in Schedule XX of the regulation for a pension fund:

Provided that the amount or method of calculation of such fee and charges shall be transparent and clearly disclosed in the offering documents of the pension fund.”

(9) in schedule II, table B, after Serial no. 2 the following new entry shall be added, namely:-

(B) Application Fees under the Regulations / Circular.

Sr. No.	Regulation/Circular	Subject of Application	Amount (Rs.)
3	Circular No. 25 of 2024 dated December 23, 2024	Application of seeking approval for each Investment Plan	250,000/-

(10) in Schedule III, after clause (21), the following new clause shall be inserted, namely:-

“(22) In the case of a Shariah-compliant scheme, the trust deed shall include the following:

- (a) the scheme must clearly include the words “Islamic” or “Shariah-compliant” or any other nomenclature representing Shariah aspect of the Scheme;
- (b) the object clause shall clearly provide that the scheme will only indulge in Shariah-complaint activities;
- (c) the details of the Shariah governance framework, including institutional arrangements to ensure ongoing Shariah compliance, shall be expressly provided;
- (d) manner of constitution of Shariah-supervisory board or appointment of Shariah advisor, as provided in the Shariah Governance Regulations, 2023.”

(11) in schedule IV, after clause 20, the following new clauses shall be inserted, namely;
 “Additional Disclosures by the Shariah-Compliant Scheme

21. The underlying Shariah structure, along with a Shariah opinion from a Shariah advisor registered with the Commission or the Shariah supervisory board of the Islamic Collective Investment Scheme, shall be included in the offering document.
22. Complete information on the Shariah governance framework, including the name of the Shariah advisor or members of the Shariah supervisory board, terms of engagement, and manner to ensure Shariah compliance on an ongoing basis.

23. Disclosure on seeking approval of the Commission regarding Certificate of Shariah-compliance under the Shariah Governance Regulations, 2023, read with Section 451 of the Companies Act, 2017.

24. reporting to the unit holders with respect to key Shariah-compliance issues in quarterly accounts.”;

(12) in schedule V,

(i) in clause 1, after full stop the following additional para shall be inserted, namely;

“In case of Shariah-Compliant Scheme, annual Shariah Review Report, as required under regulation 29(5) of the Shariah Governance Regulations, 2023, shall also form part of annual report.”;

(ii) in clause 2, after sub-clause (l) the following new sub-clause shall be inserted, namely;

“(m) In case of Shariah-Compliant Scheme, details of any Shariah-non-compliant asset or liability as on reporting date, if any, along-with the reasons and justifications.”;

(iii) in clause 3, after sub-clause (f), the following new sub-clause shall be inserted, namely: -

“(g) In case of Shariah-Compliant Scheme, details of any Shariah-non-compliant income, if any, along-with its treatment”;

(iv) in clause 5, sub-clause (A) “principle accounting policies”, after “g” the following shall be inserted, namely: -

“(h) In case of Shariah-Compliant Scheme, policy on adoption of standards of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) or any other standard setting organization.”;

(v) in clause 6, after sub-clause (d), the following new sub-clause shall be inserted, namely:-

“(e) In case of Shariah-Compliant Scheme, in addition to auditor’s report on financial statements, annual Shariah Review Report, as required under regulation 29(5) of the Shariah Governance Regulations, 2023.”;

(13) in schedule VII, after clause (22), the following new clause shall be inserted, namely;

“(23) In the case of a Shariah-compliant scheme, the trust deed shall include the following:

(a) the scheme must clearly include the words “Islamic” or “Shariah-compliant” or any other nomenclature representing Shariah aspect of the Scheme;

(b) the object clause shall clearly provide that the scheme will only indulge in Shariah-complaint activities;

- (c) the details of the Shariah governance framework, including institutional arrangements to ensure ongoing Shariah compliance, shall be expressly provided;
 - (d) manner of constitution of Shariah-supervisory board or appointment of Shariah advisor, as provided in the Shariah Governance Regulations, 2023.”
- (14) in schedule VIII, after clause (14), the following new clauses shall be inserted, namely:-

“Additional Disclosures by the Shariah-Compliant Scheme

- 15. The underlying Shariah structure, along with a Shariah opinion from a Shariah advisor registered with the Commission or the Shariah supervisory board of the Islamic Collective Investment Scheme, shall be included in the offering document.
 - 16. Complete information on the Shariah governance framework, including the name of the Shariah advisor or members of the Shariah supervisory board, terms of engagement, and manner to ensure Shariah compliance on an ongoing basis.
 - 17. Disclosure on seeking approval of the Commission regarding Certificate of Shariah-compliance under the Shariah Governance Regulations, 2023, read with Section 451 of the Companies Act, 2017.
 - 18. reporting to the unit holders with respect to key Shariah-compliance issues in quarterly accounts.”
- (15) For schedule XX, the following shall be substituted, namely:-

**“Schedule XX
Expenses Chargeable to CIS and Pension Funds
See Regulation 60 and 67G**

Notwithstanding the generality of Regulations 60(1), (2) and 67G, only the following fees and charges may be payable from the CIS and Pension Funds, -

- (a) remuneration of the Asset Management Company or the Pension Fund Manager;
- (b) remuneration of trustee or custodian;
- (c) listing fee payable to the stock exchange, including renewals;
- (d) charges and levies of stock exchange, national clearing and settlement company and central depository company;
- (e) rating fee of CIS or Pension Funds payable to approved rating agency;
- (f) auditors’ fees and out of pocket expenses as billed by them;
- (g) fees payable to the Commission;
- (h) formation cost of the CIS not exceeding 1.5 per cent of the net assets at the close of initial public offering (IPO) in case of an Open End Scheme and one percent of the paid-up capital in case of a Closed End Fund or ten million rupees whichever is lower:
 - Provided that in case of Pension Funds formation cost shall not be exceeding 1.5 per cent of the seed capital of each Sub-Fund which shall be amortized over a period of five years;
- (i) brokerage and transaction costs related to investing and disinvesting of the assets of the CIS or Pension Funds;

- (j) expenses incurred by trustee in affecting registration of all registerable assets in the name of the trustee;
 - (k) legal and related costs incurred in protecting the interests of the unit, certificate or shareholders of the CIS or Pension Funds;
 - (l) bank charges, borrowing and financial costs;
hedging costs including forward cover, forward purchase or option purchase costs;
 - (n) taxes, fees, duties and other charges applicable to the CIS or Pension Funds on its income or its properties, including taxes, fees, duties and other charges levied by a foreign jurisdiction on investments made overseas;
 - (o) shariah advisory fee;
 - (p) custody and insurances costs relating to the safekeeping of the physical gold in the vault(s) for Commodity Funds; and
 - (q) any other expense or charge as may be allowed by the Commission.”
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[File No.SY/SECP/8/13]



(Bilal Rasul)

Secretary to the Commission