

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION**



NO. NBFC/MF-MISC/808/2008

October 7, 2008

CIRCULAR NO: 23 OF 2008

SUBJECT: Practical Difficulty In Arriving At Fair Valuation of Equity Securities Held by Mutual Funds.

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

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

1. suspend pricing, issuance and redemption of units of Open-end Schemes with direct exposure to equity securities immediately;

2. continue suspension of dealing in units of aforementioned schemes till third business day after the Floor is removed at the stock exchanges;
3. deal with the applications received for issuance or redemption of units during the intervening period on the basis of closing price of third day after removal of the Floor; and
4. resume dealing in the units for the applications received after the third day of removal of the Floor as per practice before issuance of this Directive.

This Directive shall come into force immediately.


(Akif Saeed)
Executive Director

Distribution:

1. Chairman, Mutual Fund Association of Pakistan
2. Chief Executives of all AMCs
3. All Trustees of open-end schemes
4. Managing Directors all stock exchanges