

Press Release

Foreign Collaboration not a Condition for Open-end Mutual Funds

Islamabad – November 2, 2005: The Securities and Exchange Commission of Pakistan (SEC) has announced that foreign collaboration will no longer be a condition for the management of open-end mutual funds.

Under the Asset Management Companies Rules, 1995, management companies were required to collaborate with foreign fund managers of good repute to become eligible for managing equity and balanced open-ended funds. This condition was to facilitate the transfer of technical knowledge and expertise from overseas fund management companies to the local industry. Most market participants now feel that this condition has outlived its usefulness.

The withdrawal of this condition should remove an unnecessary barrier for professional individuals or entities wishing to enter this industry and will save costs. It is hoped that the business community will take advantage of this market development initiative by the SEC. It is expected that all fund management companies will upgrade their technical skills, modernize their procedures, enhance their training budgets and adhere to the highest standards of corporate governance. To prevent market abuse, the SEC will be strengthening its approval criteria and enforcement systems.

Over the past few years, the mutual fund industry has witnessed substantial growth as its size has proliferated from around 24 billion rupees to more than 100 billion rupees. The industry now offers a diversified range of funds. The SEC has noted that asset management companies have demonstrated the ability to improve the quality of their local staffing through improved hiring and training.